

*This is*  
**NOVA SCOTIA**  
*Canada's Seacoast*



A GUIDE TO STARTING AND OPERATING A  
**Retail Tourism Business**





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# **A Guide to Starting and Operating a Tourism Retail Business in Nova Scotia**

**Prepared by:**

**THE ECONOMIC PLANNING GROUP of Canada  
Halifax, Nova Scotia**

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## Table of Contents

|                                                                                     |           |
|-------------------------------------------------------------------------------------|-----------|
| <b>SECTION 1: INTRODUCTION</b>                                                      | <b>1</b>  |
| 1.1 Purpose of the Manual                                                           | 1         |
| 1.2 Contents of the Manual                                                          | 2         |
| <b>SECTION 2: THE MARKETS FOR TOURISM RETAIL BUSINESSES IN NOVA SCOTIA</b>          | <b>3</b>  |
| 2.1 Tourism Retail Market Segments                                                  | 3         |
| 2.2 Tourism Markets in Nova Scotia                                                  | 4         |
| Volume of Tourism Activity                                                          | 4         |
| Spending by Tourism Markets on Retail Purchases                                     | 6         |
| 2.3 The Nova Scotia Tourism Partnership Council                                     | 7         |
| 2.4 Nova Scotia's Vision for Tourism - Challenging Ourselves                        | 7         |
| 2.5 Tourism Market Trends and Changing Expectations                                 | 8         |
| 2.6 Trends in the Retail Sector                                                     | 9         |
| <b>SECTION 3: REQUIREMENTS FOR SUCCESS</b>                                          | <b>11</b> |
| 3.1 Location, Location, Location                                                    | 11        |
| 3.2 The 'Marketing Concept' Approach to Designing Your Business                     | 12        |
| 3.3 The Strategic Plan                                                              | 12        |
| 3.4 Be Involved with the Tourism Sector                                             | 13        |
| 3.5 Unique Selling Propositions                                                     | 13        |
| 3.6 Competitive Advantages                                                          | 13        |
| 3.7 Positioning and Brand                                                           | 13        |
| 3.8 Quality Website and Internet Strategy                                           | 14        |
| 3.9 Have Right Staff                                                                | 14        |
| 3.10 Excellent Customer Service                                                     | 14        |
| 3.11 Entrepreneurship                                                               | 15        |
| 3.12 Sufficient Market Potential                                                    | 15        |
| 3.13 Exterior Appeal                                                                | 16        |
| 3.14 Efficient Operations and Management Information                                | 16        |
| 3.15 Make the Right Merchandise Buying Decisions                                    | 16        |
| 3.16 Management Skills and Dedication                                               | 17        |
| 3.17 Computer Skills                                                                | 17        |
| 3.18 Flexibility to Adapt and Grow                                                  | 17        |
| 3.19 Risk Reduction                                                                 | 19        |
| 3.20 Pricing for Profit                                                             | 19        |
| 3.21 Sufficient Capital and Affordable Debt                                         | 19        |
| 3.22 Effective Marketing                                                            | 19        |
| 3.23 Conclusion                                                                     | 20        |
| <b>SECTION 4: PREPARING A BUSINESS CONCEPT AND STRATEGIC PLAN</b>                   | <b>21</b> |
| 4.1 Identifying Opportunities, Themes and Concepts for your Tourism Retail Business | 21        |
| 4.2 Target Market Selection                                                         | 22        |
| Market and Product Trends Assessment                                                | 23        |

## Table of Contents cont'd

|                                                                                         |                                                                           |
|-----------------------------------------------------------------------------------------|---------------------------------------------------------------------------|
| <b>SECTION 4: PREPARING A BUSINESS CONCEPT AND STRATEGIC PLAN continued</b>             |                                                                           |
| 4.3                                                                                     | Location Selection ..... 24                                               |
|                                                                                         | Selecting a Site/Building ..... 25                                        |
| 4.4                                                                                     | Owning versus Leasing ..... 26                                            |
| 4.5                                                                                     | Marketing Strategy ..... 28                                               |
| 4.6                                                                                     | The Strategic Plan ..... 28                                               |
| <b>SECTION 5: FEASIBILITY ANALYSIS ..... 29</b>                                         |                                                                           |
| 5.1                                                                                     | Capital Investment Requirements ..... 30                                  |
|                                                                                         | Financing ..... 32                                                        |
| 5.2                                                                                     | Market Analysis ..... 32                                                  |
|                                                                                         | Research and Analysis of the Target Markets ..... 33                      |
|                                                                                         | Comparables Research ..... 36                                             |
|                                                                                         | Competitive Analysis ..... 36                                             |
|                                                                                         | Assessment of the Retail Trade Sector ..... 37                            |
|                                                                                         | Conclusion from the Market Analysis ..... 40                              |
| 5.3                                                                                     | Projections of Revenues, Operating Expenses and Operating Profit ..... 41 |
|                                                                                         | Cost of Sales ..... 41                                                    |
|                                                                                         | Gross Margin ..... 43                                                     |
|                                                                                         | Expenses ..... 43                                                         |
|                                                                                         | Operating Profit ..... 43                                                 |
|                                                                                         | Net Income, Cash Flow and Return on Investment ..... 43                   |
| 5.4                                                                                     | Break-even Analysis ..... 44                                              |
| 5.5                                                                                     | Making the Decision to Proceed ..... 44                                   |
|                                                                                         | Where to Get Help in Preparing a Feasibility Assessment ..... 45          |
| 5.6                                                                                     | Preparing the Business Plan ..... 46                                      |
| 5.7                                                                                     | The Financing Plan ..... 47                                               |
| <b>SECTION 6: DEVELOPING A MERCHANDISING STRATEGY AND DESIGNING YOUR STORE ..... 48</b> |                                                                           |
| 6.1                                                                                     | Defining Your Merchandise Categories ..... 48                             |
| 6.2                                                                                     | Identifying Sources of Merchandise ..... 49                               |
|                                                                                         | Consignment Merchandise ..... 50                                          |
| 6.3                                                                                     | The Buying Process ..... 51                                               |
| 6.4                                                                                     | Factors to Consider in Designing your Tourism Retail Business ..... 51    |
|                                                                                         | Exterior ..... 51                                                         |
|                                                                                         | Interior Layout ..... 54                                                  |
| 6.5                                                                                     | Hiring Designers ..... 57                                                 |
|                                                                                         | Whom do you Hire and How do You Hire Them ..... 57                        |
|                                                                                         | Selection of Designers ..... 58                                           |
| <b>SECTION 7: LEGAL, REGULATORY AND TAX MATTERS ..... 59</b>                            |                                                                           |
| 7.1                                                                                     | Regulations and Licensing ..... 59                                        |
|                                                                                         | Municipal Regulations and Bylaws ..... 59                                 |
|                                                                                         | Architects Act and Engineers Act of Nova Scotia ..... 60                  |

## Table of Contents cont'd

### SECTION 7: LEGAL, REGULATORY AND TAX MATTERS continued

|     |                                                                    |    |
|-----|--------------------------------------------------------------------|----|
| 7.1 | Regulations and Licensing continued                                |    |
|     | Fire Prevention and Fire Safety .....                              | 60 |
|     | Department of the Environment and Labour .....                     | 61 |
|     | Department of Transportation and Public Works .....                | 64 |
|     | Department of Agriculture and Fisheries .....                      | 65 |
|     | Hours of Operation .....                                           | 65 |
| 7.2 | Personal Information Protection and Electronic Documents Act ..... | 66 |
| 7.3 | Taxes .....                                                        | 66 |
|     | Harmonized Sales Tax .....                                         | 67 |
|     | Employment Taxes .....                                             | 68 |
|     | Corporate Income Tax .....                                         | 68 |
|     | Business Occupancy Tax .....                                       | 67 |
| 7.4 | Other Regulatory Issues .....                                      | 69 |
|     | Nova Scotia Worker's Compensation .....                            | 69 |
|     | Competition Act .....                                              | 69 |
| 7.5 | Registration of Companies .....                                    | 69 |
|     | Provincial Business Registration .....                             | 69 |
|     | Federal Business Registration .....                                | 70 |
|     | Business Number Registration .....                                 | 71 |
| 7.6 | Insurance .....                                                    | 71 |

### SECTION 8: OPERATIONS ..... 73

|     |                                          |    |
|-----|------------------------------------------|----|
| 8.1 | Organization and Staffing .....          | 73 |
|     | Management and Staffing .....            | 73 |
| 8.2 | emerit Standards and Certification ..... | 74 |
| 8.3 | Training .....                           | 75 |
|     | Sales Training .....                     | 77 |
|     | Customer Service Training .....          | 77 |
| 8.4 | Pricing Strategies .....                 | 78 |
| 8.5 | Budgeting and Review .....               | 78 |
|     | Zero-Based Budgeting .....               | 79 |
|     | Percentage of Sales Budgeting .....      | 79 |
|     | Which to Use? .....                      | 79 |
| 8.6 | Records, Inventory and Controls .....    | 80 |
|     | Records .....                            | 80 |
|     | Inventory Management .....               | 81 |
|     | Cash Flow Management .....               | 82 |
|     | Other Controls .....                     | 83 |
| 8.7 | Business Systems .....                   | 83 |
| 8.8 | Banking .....                            | 83 |

## **Table of Contents cont'd**

### **SECTION 8: OPERATIONS continued**

|      |                                              |    |
|------|----------------------------------------------|----|
| 8.9  | Environmentally Sustainable Operations ..... | 83 |
| 8.10 | Other Operational Issues .....               | 84 |
|      | Policies .....                               | 84 |
|      | Hours of Operation .....                     | 84 |

### **SECTION 9: THE MARKETING PLAN ..... 85**

|     |                                                 |     |
|-----|-------------------------------------------------|-----|
| 9.1 | Introduction .....                              | 85  |
|     | Developing a Marketing Plan .....               | 86  |
| 9.2 | Marketing to Consumers .....                    | 87  |
|     | Key Marketing Activities .....                  | 87  |
|     | Website and Internet-based Marketing .....      | 92  |
|     | Collateral Material .....                       | 93  |
|     | Provincial and Regional Travel Literature ..... | 94  |
|     | Sales Promotions .....                          | 95  |
|     | Public Relations and Publicity .....            | 96  |
|     | Signage .....                                   | 96  |
| 9.3 | Promoting to the Travel Trade .....             | 96  |
|     | Travel Trade Structure .....                    | 97  |
|     | Marketing to the Travel Trade .....             | 97  |
| 9.4 | Measurement .....                               | 98  |
| 9.5 | Market Research .....                           | 98  |
|     | Customer Surveys .....                          | 99  |
|     | Competitive Research .....                      | 99  |
|     | Market Trends .....                             | 100 |
| 9.6 | Pre-Opening Activities .....                    | 100 |

### **ACKNOWLEDGEMENTS**

#### **APPENDIX I: LIST OF CONTACTS**

#### **APPENDIX II: FINANCING**

#### **APPENDIX III: CALCULATION OF NET INCOME, CASH FLOW, AND RETURN ON INVESTMENT**

#### **APPENDIX IV: BUSINESS STRUCTURES**

#### **APPENDIX V: STANDARDS AND CERTIFICATION**

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## **SECTION 1**

### ***INTRODUCTION***



# SECTION 1

## INTRODUCTION

### 1.1 Purpose of the Manual

This is one of a series of tourism development manuals commissioned by the Tourism Division of the Nova Scotia Department of Tourism, Culture and Heritage to assist Nova Scotians in the establishment of tourism businesses and in the planning for the delivery of tourism services in the province. This manual deals with establishing a tourism retail business. There are other manuals that deal with establishing different kinds of tourism businesses such as an accommodation property, a campground, a local sightseeing tour operator, a restaurant, an adventure tourism operation and a receptive tour operator. There are also manuals on how to plan for, develop and market tourism in your community, on establishing a local Visitor Information Centre, on establishing an attraction and on marketing for tourism businesses. The manuals were originally prepared in 1996 and 1999 and were updated in 2005. A new manual on community festivals and events was also prepared in 2005.

The purpose of this manual is to provide you with some of the information necessary in planning, establishing, improving, and operating a tourism retail business in Nova Scotia. There are a multitude of laws and regulations that affect businesses and readers should note that the information contained herein is a guide only.

For the purposes of this manual, a tourism retail business is defined as one that is dependent for a significant portion of its business on tourism markets, and that sells merchandise such as gifts, crafts, souvenirs (including clothing) and specialty items. Tourism markets are defined to include visitors from outside the province as well as Nova Scotians travelling more than 80 km from home. The focus is on independent retail businesses – topics such as franchising and being part of a retail chain are not explored, although many of the issues addressed in this manual would be relevant for these types of retail outlets as well.

It is strongly suggested that the reader undertake efforts to verify any information on which their business plan is based and not rely solely on the information in this manual. There are areas where you may want to consider retaining the appropriate professional expertise to assist you.

While the information contained in this manual is believed to be accurate, as of the winter of 2005, it is not so warranted. The reader should note that federal, provincial and municipal laws and regulations change frequently and it is recommended that you check with the appropriate authorities, listed in Appendix I, including representatives of the Tourism Division, Department of Tourism, Culture and Heritage and your local Business Service Centre (on line [www.gov.ns.ca/snsmr](http://www.gov.ns.ca/snsmr) or at Access Nova Scotia centres around the province), to obtain up-to-date information on these matters.

The publisher is not engaged in rendering legal, accounting or other professional advice. If legal advice or expert assistance is required, the services of a competent professional should be sought. The information and analysis contained herein is intended to be general and represents the research of the authors and should in no way be construed as being official or unofficial policy of any government body. Any reliance on the Guide shall be at the reader's own risk.

## **1.2 Contents of the Manual**

This manual provides information and advice on a variety of topics which will be important in understanding the requirements for success, in assessing opportunities, in planning and development and in starting operations. The following topics will be covered:

- Markets for tourism retail businesses in Nova Scotia;
- Requirements for success;
- Preparing a business concept and strategic plan;
- Feasibility assessment;
- Selecting a site, store layout and design;
- Legal, regulatory and tax matters;
- Planning for operations;
- Marketing.

Appendices at the back of the manual cover the following:

- List of contacts;
- Financing;
- Calculation of net income, cash flow and return on investment;
- Business structures;
- Standards and Certification.



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## SECTION 2

*The Markets for Tourism Retail Businesses  
in Nova Scotia*



## SECTION 2

### THE MARKETS FOR TOURISM RETAIL BUSINESSES IN NOVA SCOTIA

#### 2.1 Tourism Retail Market Segments

Market segments refers to the fact that not all customers are the same – there are distinctly different market “segments” potentially available to a tourism retail business, each of them having unique characteristics. Since it is very difficult for a tourism retail business, in fact for any business, to be “all things to all people,” it is important that markets are divided into segments and that the business is designed to appeal to selected segments.

Tourism market segments can generally be defined in different ways, such as the following:

- Geography – where they live;
- Demographics – their age, income, family composition, education;
- Psychographics – what their interests and tastes are, what they believe to be important;
- Purpose of trip – vacation, tour, business, meeting and conference, visiting relatives;
- Means of travel – by auto, air, rail;
- Channel of distribution – by how the customer books the trip, e.g., by booking a motorcoach tour through a travel agent.

Some types of tourism businesses promote their products to consumers in market areas far from their location. Resorts are an example, as are major attractions and special events. These are demand generators – the types of businesses that typically motivate consumers to come to their destination to experience their product.

Most tourism retail businesses, on the other hand, depend largely on visitors who are already in their community, either staying in the area, passing through en route to another destination or on a day trip to the area. And many tourism retail businesses also depend to varying degrees on the local and regional resident market.

There are examples of specialty/tourism retail stores that, either by themselves or in part, motivate travellers to come to a destination to purchase their merchandise. A prime example is the L.L.Bean store in Freeport, Maine which draws customers from a wide geographic area because of its high quality, unique and good value merchandise. Other examples of specialty/tourism oriented retail stores that attract travellers to a destination are the factory outlet centres which have a range of stores and merchandise and sufficient “critical mass” to act as the demand generators for their community/area.

Nova Scotia has few tourism retail outlets of this type although there are a number of stores featuring unique, made in Nova Scotia crafts and other types of merchandise that do play a role in attracting visitors to their community. Examples that come to mind include *Suttles and*

*Seawinds and Amos Pewters in Mahone Bay, and Seagull Pewter in Pugwash.*

The fact that most tourism retail businesses will depend for much of their business on visitors who are already in the community has significant implications for a wide range of factors such as the location of the store, the exterior treatment and window displays, the merchandise mix, pricing, marketing and advertising efforts. These factors will all be explored in this manual.

When identifying and assessing the target markets for your tourism retail business, it may be useful to consider the following tourism retail market segments:

- Local residents;
- Regional residents;
- Tourists<sup>1</sup> staying in the community, either in commercial accommodation or visiting local residents;
- Other tourists passing through the area;
- Business visitors;
- Meeting, conference, convention and incentive travel visitors;
- Motorcoach tour visitors;
- Mail order markets.

The markets for a retail business may be further defined within each of these segments, according to characteristics such as party size/characteristics, age, income levels, etc.

## **2.2 Tourism Markets in Nova Scotia**

### **Volume of Tourism Activity**

Tourism in Nova Scotia is big business with almost \$1.3 billion in direct spending by tourists (includes spending by out-of-province visitors as well as Nova Scotians travelling within the province) in 2004. Tourism directly or indirectly employs over 33,000 people in the province and generates some \$119 million in provincial and municipal tax revenues.

#### Visitors to Nova Scotia

There were 2.24 million visitors to Nova Scotia during 2004, up 5% from 2003 levels. Increases were seen in almost all modes of travel (except recreational vehicles), but particularly in arrivals by air which were up 12% over 2003 levels. The increase in air arrivals in 2004 continues a longer term trend in arrivals by this mode of transportation which were up 12% in 2003 (the only mode showing an increase in 2003), and 7% in 2002.

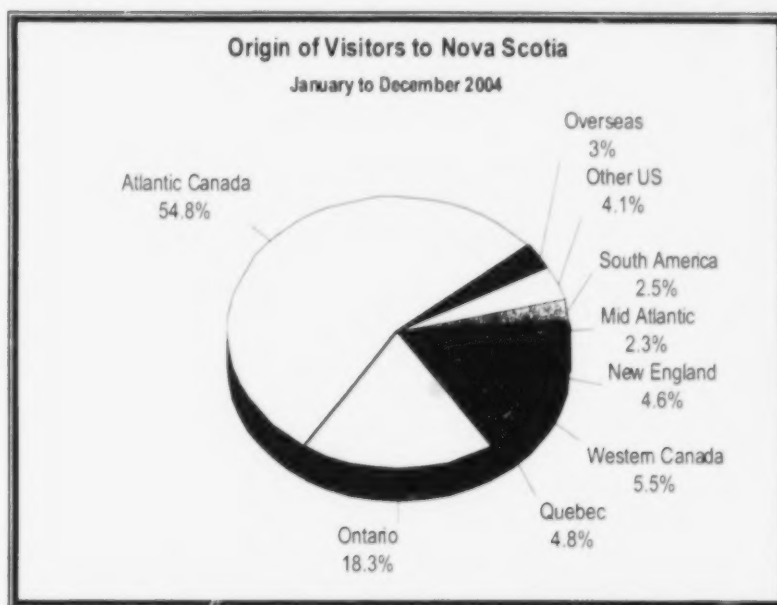
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<sup>1</sup> Tourists includes visitors to the province as well as residents of Nova Scotia travelling within the province.

This data includes visitors travelling for all purposes - for vacation/pleasure, to visit friends and relatives, for business and for personal reasons.

The majority of visitors to Nova Scotia are from other parts of Canada, particularly Atlantic Canada which accounted for 55% of visitors (1.24 million persons) during 2004, up 6% from the preceding year.

Visitors from the US also increased in 2004, by 8%, with 304,000 Americans visiting the province. Some 67,000 visitors from overseas came to Nova Scotia in 2004. The origin of visitors to Nova Scotia for the total year is illustrated in the graph.



During the May to October period in 2004, there were some 1.54 million visitors with some 48% from Atlantic Canada, 20% from Ontario, 6% from Western Canada, 5% from Quebec and 17% from the United States.

Up-to-date information on the volume of visitors to Nova Scotia and their mode of transportation as well as accommodation and campground activity, by region is provided in *Tourism Insights*, a publication of the Tourism Division, Department of Tourism, Culture and Heritage. It can be found on-line at [www.gov.ns.ca/dtc/pubs/insights/](http://www.gov.ns.ca/dtc/pubs/insights/)

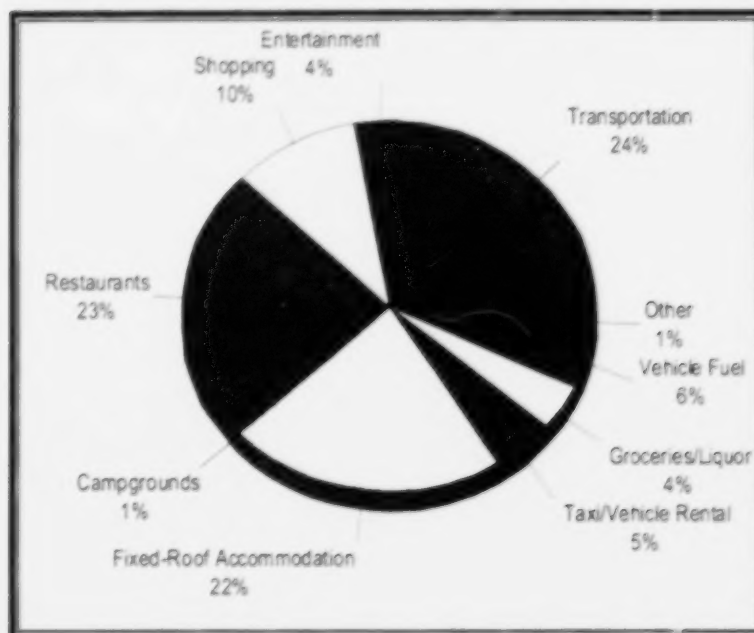
The Tourism Division, Department of Tourism, Culture and Heritage conducts a Visitor Exit Survey (VES) every four years or so. A VES was undertaken in 2004 but the results were not available at the time this manual was updated. Check the Nova Scotia Tourism Partnership Council web site ([www.nstpc.com](http://www.nstpc.com)), Research section for the report on the most recent Visitor Exit Survey.

#### Nova Scotians Travelling within the Province

Nova Scotians themselves are also a major factor in the province's tourism industry, making over 5.8 million person trips annually within the province. Some 3.8 million of these are same day trips and just over 2 million are overnight trips. A trip is defined as any overnight trip or a same day trip of at least 80km one way, excluding commuting to work and commercial sales trips. They include trips to visit friends and relatives (accounts for almost 30% of the 5.8 million trips), for pleasure (37% of all trips), business and for personal reasons such as medical appointments.

The \$1.3 billion in total tourism spending is distributed throughout a variety of economic sectors as illustrated:

**Nova Scotia Tourism Receipts by Expenditure Type, 2003**



#### **Spending by Tourism Markets on Retail Purchases**

As indicated in the chart above, tourism expenditures on shopping (excluding groceries and liquor) represent 10% of the \$1.3 billion in total expenditures, or some \$130 million in total for the year. This includes spending by both visitors to Nova Scotia and Nova Scotian's travelling around the province.

According to the 2000 Nova Scotia Visitor Exit Survey, visitors to the province spent an average of \$944 per party or some \$145 per party per day. Visitors arriving by air and visitors on pleasure trips had higher levels of spending than visitors arriving by other means and those travelling for other purposes such as visiting friends and relatives or on business.

On average, 13.5% of the spending of visitors to Nova Scotia or \$127 per party, was on shopping, excluding shopping for groceries and liquor. The survey also indicates that 51% of all visitors to the province indicated that they participated in shopping while in Nova Scotia, the fourth most popular activity after general sightseeing, walking and visiting friends and relatives, and 45% visited craft shops.

The 2000 Nova Scotia Exit Survey provides some additional information on visitors arriving by air. These visitors spent an average of 12% of their in-province expenditures on shopping including 4% on Nova Scotia art/handcrafts. Since the total spending of these visitors was higher than average, this amounted to \$181 per party in total.

### **2.3 The Nova Scotia Tourism Partnership Council**

The Nova Scotia Tourism Partnership Council (TPC) is an industry and government partnership that shares in planning and decision making for tourism marketing, research and product development in Nova Scotia. The TPC works with industry stakeholders to realize Nova Scotia's potential as a world class four season destination. It was established following a 1996 Tourism Strategy for Nova Scotia that, among other things, called for a true partnership between the tourism industry and government in everything from marketing to research and tourism development.

The Council consists of 16 members, 14 of whom are tourism industry leaders, managers and business owners. Members of the TPC are selected through an industry call for applications. They must be owners, operators or senior managers of tourism related businesses, and consideration is given to various other criteria, in the selection of members.

The TPC has three core committees - an Executive Committee, a Long-Term Integrated Planning Committee and a Short-Term Integrated Planning Committee.

The TPC oversees the development of the Tourism Plan annually which is presented to the industry at TIANS fall tourism conference. The Council is also involved in a wide variety of other programs and initiatives. Visit their website at [www.nstpc.com](http://www.nstpc.com) for up-to-date information.

### **2.4 Nova Scotia's Vision for Tourism - Challenging Ourselves**

#### ***"100% Tourism Revenue Growth by 2012"***

The Tourism Partnership Council's Vision Committee spent two years (2000-2002) developing a process to create a Vision for Nova Scotia's Tourism industry. The Committee looked at issues that the tourism sector could influence or change that would help to create growth and improve industry performance. After a process that included industry workshops and consultations, 11 Vision recommendations were identified for implementation.

These recommendations cover product development, environment, the administration of tourism, marketing, technology, quality, human resources, transportation and research. Responsibility for leading the implementation of the recommendations has been divided between the Tourism Partnership Council, TIANS and the Department of Tourism, Culture and Heritage. For up-to-date information on the implementation of Nova Scotia's Vision for Tourism, check the Tourism Vision section of the TPC's website ([www.nstpc.com](http://www.nstpc.com) and select Tourism Vision from the menu bar).



The Tourism Vision is a catalyst to assist Nova Scotia's tourism industry to evolve and grow. It is not cast in stone and is an "unfolding process". Achieving the Vision will require change - by all tourism stakeholders including individual businesses - in how tourism is managed and delivered in Nova Scotia so as to improve quality and generate increased tourism revenues.

Success will be measured "not only by growth in revenues but our ability to work together, maintain our culture and authentic character, develop new markets and products, attract new visitors and improve the recognition of our sector's contributions to our province and various levels of government".

For more information on how you can be involved in the Vision for Tourism, visit [www.nstpc.com](http://www.nstpc.com)

## **2.5 Tourism Market Trends and Changing Expectations**

A variety of trends are occurring in the marketplace that have implications for tourism. Since tourism markets are vital to your tourism retail business, you should be aware of what is happening in the tourism marketplace. Many of these trends are driven by demographics - primarily the Baby Boom phenomenon which has had a significant impact on numerous aspects of North American society over the past fifty years.

The points below highlight some of the major trends which are being experienced in our society and the implications of these trends on the general travel and tourism industry.

- The population of North America is changing, largely due to the aging of the Baby Boom generation and the resultant growth in the mature population. The growth markets of the next 10 to 15 years will be today's young seniors (representing 15% of the market today) and the baby boomers (representing 33% of the market).

Some travel related implications are:

- These young seniors and 'baby boom' market segments are generally much more wealthy than earlier generations and have a strong interest in travel.
  - They represent a large market, and will increasingly have time and resources for travel.
  - They have high expectations of quality and value - they are prepared to spend money to get good quality.
  - They are more educated than earlier generations, highly sophisticated and individualistic - they expect, and demand, good quality, professional service. They are prepared to spend money to get good quality.
  - Family values are important to them - there is an increasing trend towards "grand" travel (travelling with grandchildren).
- Travellers today are seeking experiences. People do not travel to sleep in a strange bed, they travel to experience something different from their everyday life and that could be cultural, natural, entertaining, educational, spiritual, family, etc.
  - Today's consumers are more educated and travelled than previous generations, they attach a higher priority to travel and they seek a broader range of experiences. Their expectations are rising exponentially, particularly with respect to service quality.



- Providing superior customer service is of major import to tourism and hospitality businesses.
- In addition to more young seniors (55+) travelling, there are more couples travelling without children or with another couple. This trend is expected to continue in the future.
- There is strong interest in culture and heritage. Travel markets want to experience other cultures as part of their travel, and also to learn about the history/heritage of an area.
- There is a strong interest in a more active and healthier lifestyle and in the outdoors and the natural environment;
- There is growth in off-season travel;
- More travellers are looking for novelty and uniqueness;
- Air travel is becoming easier and more accessible. This is supporting a growth in shorter, destination trips – "Fly-Tour/Do" rather than longer touring trips or "Drive/Drive" trips. This means more time at the destination, and the opportunity to participate in more activities and experiences;
- Exponential growth in Internet use is resulting in travellers collecting more information on destinations in advance.

## **2.6 Trends in the Retail Sector**

The retail sector generally is experiencing a number of trends, some of which may have implications for tourism retail businesses. Some of the key trends are:

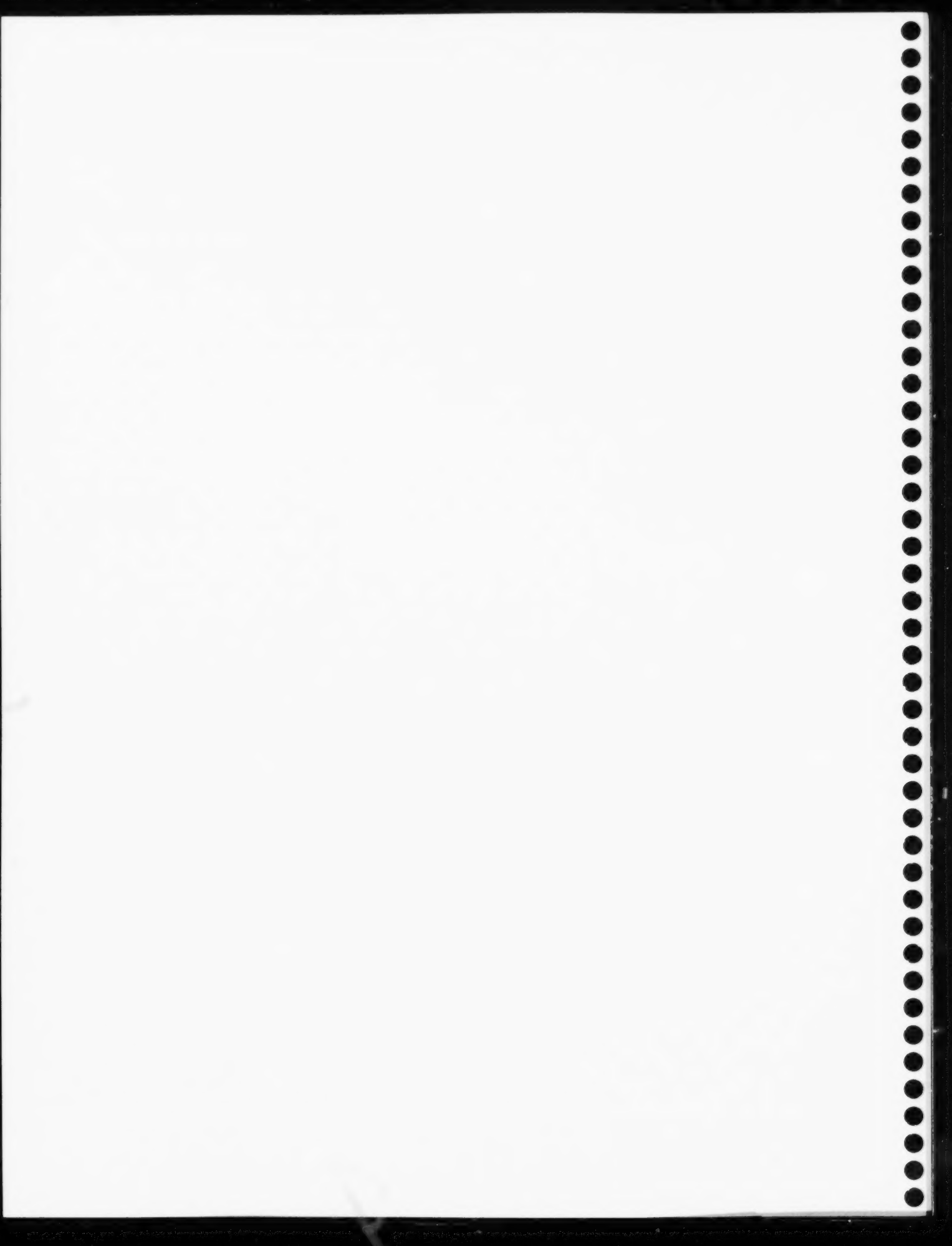
- Strong competition in the retail marketplace, with significant growth in "big box," "power centres" and "superstore" retailers, as well as in large specialty retail outlets, such as Chapters;
- Low cost/low gross margin retail operators such as WalMart are having a significant impact on many retail businesses. The gross margins of stores such as are shrinking as competition increases from these types of outlets.
- Increasing competition in the retail marketplace from Internet shopping. Internet shopping is growing by leaps and bounds and is expected to continue to do so as consumers become more comfortable with E-commerce;
- Utilization of new technologies in the retail industry is becoming more and more evident, and vital to the success of retail businesses. Computerized equipment and technologies, such as Point of Sale equipment which provides current and up-to-the-minute information on sales by product category as well as inventory needs. The use of bar codes and scanning wands, are becoming commonplace in stores of all sizes. This equipment is increasingly more available and more economical for smaller businesses. The use of such information technology is increasingly vital to the continued success of retail establishments.

- A growing demand for environmentally friendly products. An example is a movement away from scented products because of concerns over environmental illnesses. Environmentally friendly operations also include the basics of recycle, reuse and reduce.
- Demand from consumers, particularly those on vacation, for better quality merchandise, but at good value;
- Demand for increasingly high standards of customer service. Retail businesses are responding by providing high standards of customer service and going the "extra mile" to provide value-added services, such as custom packaging, gift wrapping or shipping;
- In attempts to establish USPs (unique selling propositions) retailers are turning more and more to value-added elements, and exceptional standards of customer service;
- Increasing recognition of the aging of the marketplace, with implications for design and layout factors such as lighting, larger letters on labels and signs, accessibility and assistance with things such as parking and loading the car.

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## **SECTION 3**

### ***Requirements for Success***



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## SECTION 3

### **REQUIREMENTS FOR SUCCESS**

Developing and operating any type of small businesses is a challenge and the retail sector is no exception. In fact, it is probably one of the more challenging types of small businesses. Success in the retail sector is dependent on a variety of things. Where you locate your business, the way you design and develop it, how you operate it and how you market it will all play major roles in determining how well you do. Rather than leave it to chance, the smart operator is sensitive to success variables in the business. We will briefly consider these key success variables in this section. Subsequent sections will deal with most of them in greater detail.

#### **3.1 Location, Location, Location!**

Location is an important success criteria for many businesses but for small retail businesses, particularly those that are dependent to a large extent on tourism markets, a high quality location is essential. It is vital that you locate your tourism retail business in a community where there is a ready market for it – an existing, healthy, and preferably growing tourism market. Your tourism retail business by itself is unlikely to be a factor in generating more tourism activity to the community (unless it is very unique and you can afford a major marketing effort to create market awareness of what you have to offer), so you will have to depend in large part on visitors who are already coming to the community.

It is also vital that you locate your business on a quality site that has a good flow of tourist traffic passing by your door. For many tourists, shopping is an impulse activity, with the appeal, attractiveness and merchandise of the retail outlet being major factors in their decision to visit the store, and to buy. If you are located outside of the mainstream of tourist activity, and visitors have to make a decision to go out of their way just to visit your store, your business is less likely to be as successful.

You will also want to consider whether the traffic is walking by or driving by, and whether you are located in mall or in a stand alone location since these factors will affect the type of customer you will get as well as the amount of advertising and marketing that you will have to do. In a mall location, tenants usually pay into a merchant's association which does some advertising.

### 3.2 The 'Marketing Concept' Approach to Designing Your Business

To be successful today, owners and managers of almost all businesses, and particularly tourism-related businesses, have to have a marketing orientation – a customer focus. That means everyone in the business must make decisions by asking the question "How can I best meet the needs of the market and the individual customer?" Marketing orientation can be defined as follows:

*"Marketing orientation is a way of thinking – a frame of mind. It is, if you like, a business philosophy. If you adopt a marketing orientation, it means that whenever you think about your business, you do so from your customers' point of view, not from your own. It means accepting the idea that the purpose of your business is to serve the wants and needs of your customers, and to meet or exceed their expectations.*

*In other words, it means putting your customers first. For this reason, is it sometimes also called a customer orientation"*<sup>2</sup>

Why is this so important? Why can't we just do what we think is best? Because satisfying a customer's expectations involves doing a lot of things right, and that doesn't happen easily.

Some tourism businesses think it is good enough to open the door and then wait for customers to come. Others – those taking a marketing orientation to their business – make an effort to identify their best market prospects, modify their product and merchandise lines to best serve the needs and demands of the different groups they are targeting, and then design their marketing activities to focus on these groups.

Having a customer orientation also means being open for business when the tourists are there, and this includes Sundays (if possible, given regulations), evenings and throughout the extended tourism season. As mentioned earlier, Nova Scotia's tourism season is growing and increasing efforts are being dedicated to strengthening the shoulder and November to May periods.

### 3.3 The Strategic Plan

Developing your business in the context of **the marketing concept** requires a strategic plan for the business, one that identifies the best market opportunities along with all the key business features necessary to successfully and profitably pursue those opportunities. The strategic plan is an overall, long term plan for the business, setting out the following:

1. The long term vision and goals, and the measurable objectives for the business
2. The markets to be pursued and the marketing strategies and networks to be employed
3. The products and services to be developed and delivered that will have the features necessary for them to succeed in the competitive marketplace
4. The resources that will be brought to bear in achieving success and profitability
5. The tracking tools to measure progress

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<sup>2</sup> The Economic Planning Group, Tourism is Your Business: Marketing Management, prepared for Tourism Canada, 1986

The specifics of what is required for success are set out below.

### **3.4 Be Involved with the Tourism Sector**

The success of your tourism retail business is dependent on the success of tourism, particularly in your community but also in the province generally. You should become involved in the tourism industry, pay attention to what is happening in the tourism marketplace and support the efforts of the other tourism businesses in your community to grow and strengthen tourism in your area and to create a "critical mass" in the community so that it becomes a tourism destination. In other words, you need to be seen as a player in the tourism business. This may mean participating in co-op marketing efforts such as a two-page community "ad" in the Complete Guide for Doers and Dreamers or your regional tourism association's travel guide, providing merchandise in support of festivals and events or as door prizes for conferences/meetings. The more visitors that your community can attract, and the longer they stay, the more likely you are to see increased sales.

### **3.5 Unique Selling Propositions**

Marketers talk about USPs, the unique selling propositions put forward by a business to maximize market interest and establish a competitive advantage. A USP is, in effect, a feature contributing to what makes you special – the unique appeal of your product for the customer.

A USP for a tourism retail business is likely to be based on the following types of things:

- The type of merchandise you sell, e.g., only Nova Scotia hand-made arts/crafts;
- The exciting, creative and entertaining nature of your store and displays;
- The outstanding level of customer service your store provides;

Having at least one, and preferably more than one, USP is fundamental to your success and your ability to compete with larger retail operations.

### **3.6 Competitive Advantages**

A related factor is competitive advantage. This is the advantage one business has, or is perceived to have, over another in the marketplace and in its ability to draw customers. It may be a better location at the key, "centre of it all" site in town, an exclusive line of merchandise not available anywhere else in town or in the province, better prices, or it may be the exceptionally high quality of customer service and value-added services you provide.

### **3.7 Positioning and Brand**

The previous two issues - USPs and competitive advantages will be implemented within your positioning and branding strategy. Positioning refers to how you make yourself unique in the competitive marketplace - your higher quality, or the most convenient location, or better value, or cheapest, and so on. Branding is how you communicate that positioning in a graphic and/or brief text statement.



In the Nova Scotia Tourism Partnership Council's 2005 Tourism Plan, under 'Brand Positioning Statement' on page 9, the text reads, "The brand positioning statement is the "unique point of difference" we are trying to create in the minds of potential visitors. It aims to define who our customers are, how we would like them to perceive us - and our unique attributes."

Having a positioning and brand strategy is important to businesses promoting themselves in a very competitive marketplace, in which the target audience is bombarded with constant marketing message. The brand and positioning statement helps you get through the clutter for the necessary moment it takes to connect with the audience.

### **3.8 Quality Website and Internet Strategy**

The Internet has rapidly become a vital tool for every tourism business. It provides ready access to all kinds of information of value to the business. It also makes possible the website, which companies are increasingly finding to be their primary marketing tool today. As a tourism retail business, your website can be a marketing tool. It can also be a sales tool offering on-line purchasing or access to a catalogue of your retail products and a toll free number for ordering.

Having a website is not the only issue associated with the Internet, as discussed below. It also makes possible email, and modern e-marketing techniques. And working in conjunction with a company's website, a website visitor registration program and a database system, it provides the basis for direct, one-on-one, highly targeting direct marketing to prospects.

### **3.9 Have the Right Staff**

Having the right team of staff in your retail store is critical to its success. You need staff that believe in your business philosophy and customer orientation, that deliver high standards of customer service and that are also skilled in sales. Your staff need to understand that delivering on the "experience" you are trying to create in your retail store and making sure that all customers leave satisfied, is essential to its success.

You need to foster a team spirit within your staff, and work to ensure that you keep good staff working for you. This may well mean paying more than minimum wage and providing some "extra" benefits, but it will be worth it in terms of sales.

It will be important that you provide staff training in customer service skills, in selling, and in the day-to-day operating procedures of your business. You also need to make sure that your staff are knowledgeable about the tourism facilities and services in the local area, since they will be asked questions by your customers about what there is to see and do in the area.

### **3.10 Excellent Customer Service**

Providing excellent customer service is crucial in many businesses today, and the retail business is no exception. You and your staff must pay careful attention to meeting the needs and expectations of your customers with respect to service. This often means going the extra mile, providing value-added services, and, in the case of tourism retail businesses, it will frequently mean providing tourism information and advice.

Delivering memorable customer service will help encourage repeat business and will also provide good "word of mouth" publicity. Your customers need to leave the store believing that they have gotten good value for their money, and providing excellent customer service is an important part of this. This includes such things as offering generous policies on refunds, fair value on US dollar exchange, offering credit and debit card payment options and offering a shipping service for larger items.

### **3.11 Entrepreneurship**

Entrepreneurship is the art of being an entrepreneur, that is a business person who, in operating a business, is constantly taking advantage of market opportunities and challenges. An entrepreneur sees his or her business as a mix of assets and people who can respond to unfulfilled market opportunities that may arise, rather than as a fixed, unchanging product. The entrepreneur operates on the assumption that markets are changing constantly, that competitive advantage is a temporary thing, that customer loyalty is fickle and that opportunities come and go.

An entrepreneur, then, is a business person who fully adopts a marketing orientation such as was described earlier in this section.

In retail, this means being progressive, keeping up on trends in products, merchandising, technology, and other things happening in the marketplace that have an impact on your business. The marketplace is changing rapidly and it is easy for business people that don't pay attention to these types of changes to get left behind.

### **3.12 Sufficient Market Potential**

All of the success criteria described in this section will not be adequate for success if the market isn't big enough to support your retail business. You need to give this factor careful consideration when selecting the community in which you are going to locate your business — your first choice or the community in which you live may not have sufficient market potential available.

Are there significant numbers of visitors coming to the community? Is there a reasonably-sized resident market in the area that can provide additional markets, and off-season markets if you plan to stay open all year? Are there attractions and things to see and do in the area to keep visitors around? Are there other complementary retail outlets sufficient to create a "critical mass" of shopping opportunities?

When considering whether you have sufficient market potential available to you, remember that not all visitors will have an interest in the types of merchandise you are selling, and also that it is commonly accepted in the retail business that only 5% - 25% of customers who enter a store will actually buy anything.

### **3.13 Exterior Appeal**

A significant portion of your business is going to come from impulse shoppers, tourists who are in the community, walking or driving by your store, and make a "spur of the moment" decision to enter. While a portion of your market may know about your store in advance, the opportunities for you to market to visitor markets will be limited and you will therefore be dependent mostly on pass-by traffic.

As a result, the exterior appeal of your store will be critical to your ability to attract customers. It will have to give people a reason to come in, provide them with some idea of the types of merchandise you have to sell and create the retail "image" that you have decided on. The exterior appeal incorporates signage, landscaping, plantings, window displays and the building or store itself.

Theming can also be important in creating an appealing exterior for a tourism retail business. This involves using design techniques, "props," decor and colour to create an overall theme such as the "frontier country store."

### **3.14 Efficient Operations and Management Information**

You need to operate your retail store efficiently, and a big part of this is making sure you have good procedures in place to track and report the management information that you need to understand how your business is going, and also to ensure that you have the right merchandise available to sell, when you need it.

You need systems that keep good track of your inventory, your merchandise purchases, and your sales, while providing you with comparisons to similar periods (days, weeks, month, year to date) and the previous year. Advances in technology mean that computerized systems to help with these functions are readily available, and at more and more reasonable prices. Point of sale systems, if they are properly set-up and managed, can provide you with a wealth of information to help you track the operation of your store, and they can provide this information on a daily basis if you wish.

You also need to attach a high degree of importance to your cash flow accounting and management. This is particularly important in a seasonal business in which you will have some costs throughout the year but you will only have revenues for six or seven months. You will need to ensure that you have adequate cash flow to cover these costs, and to allow monies for purchasing inventory and paying staff at the beginning of the next season. It is critical that you establish policies and procedures for cash flow management, and that you take the time to implement them and to pay attention to the reports that are generated. It is also essential that you take appropriate actions if your cash flow is not what you were projecting.

### **3.15 Make the Right Merchandise Buying Decisions**

A critical factor in the success of your tourism retail business will be making the right merchandise buying decisions. An understanding of your markets, and having a solid business concept and image for your tourism retail business will go a long way to identifying the types of merchandise that you should have in your store. As well as considering your markets' interests

and characteristics, consider the competition, offer a mix of merchandise that fits with your image and product line, provide a mix of lower and higher priced items and understand your sales history, if you have been in business for a while. You also need to keep up on trends by going to trade shows, reviewing catalogues and keeping an eye on what the competition is doing.

You have to be careful to buy merchandise lines that are complementary and do not compete with each other. Avoid purchasing merchandise that doesn't fit with your business concept and store image, even if you think it will sell well. And don't try to be all things to all people. You should eliminate product lines that don't produce and invest in things that do, as long as they fit with your existing product line. It is particularly important to keep all these things in mind when faced with an aggressive supplier who is trying to promote a product line.

### **3.16 Management Skills and Dedication**

The retail business has never been more challenging, and requires a concerted effort and skills in many areas on the part of its management to succeed. In addition to entrepreneurial skills described earlier, a successful retailer will also need knowledge and understanding in a variety of other management areas, as illustrated in Exhibit 1.

### **3.17 Computer Skills**

The computer has become an indispensable tool for every business today, so having computer skills is now a virtual necessity for most business people. Managers and staff need to be able to use word processing to record information and communicate by mail, to send and receive email, to do research on the Internet, to maintain a decent website and to use a spread sheet for budgeting. The computer is also a vital part of virtually all modern internal business systems, including revenue management systems.

### **3.18 Flexibility to Adapt and Grow**

Part of successful planning for any business is anticipating the need to adapt and grow. Increased sales or a shift in your merchandise mix may dictate an expansion at some point in the future, so your initial planning should take this into account. In the tourism retail business, you should always start small and then grow the business in response to the market situation. Make sure your business concept is going to work in the location you have selected before making the business too large.

The retail business is a very dynamic one, involving almost constant analysis and action to recognize and adapt the business to a shifting marketplace, changing customer needs and competition. As such, similar attention should be given to being able to make changes in the business. It may be necessary to shift your merchandise mix, to increase the proportion of lower or higher priced merchandise or to extend your operating season beyond what you had originally planned.

Your original business planning efforts should explore a number of "what if" scenarios and identify alternatives that could be considered.

**EXHIBIT 1**  
**BASIC MANAGEMENT SKILLS REQUIRED FOR A**  
**SUCCESSFUL TOURISM RETAIL BUSINESS**

**ENTREPRENEURSHIP**

- understanding and acceptance of the **marketing concept**
- understanding of what the customer is looking for
- knowledge about how to reach the customer and what will appeal

**MARKETING**

- |                      |                           |
|----------------------|---------------------------|
| ➤ advertising media  | ➤ ad design               |
| ➤ market research    | ➤ promotions              |
| ➤ public relations   | ➤ publicity               |
| ➤ contra promotions  | ➤ cooperative advertising |
| ➤ Internet marketing |                           |

**HUMAN RESOURCES**

- |                             |                |
|-----------------------------|----------------|
| ➤ hiring and training staff | ➤ supervision  |
| ➤ staff motivation          | ➤ sales skills |

**OPERATIONS**

- |                             |                              |
|-----------------------------|------------------------------|
| ➤ pricing                   | ➤ inventory management       |
| ➤ merchandising             | ➤ retail buying              |
| ➤ retail display techniques | ➤ negotiating with suppliers |
| ➤ window displays           | ➤ customer service           |

**ADMINISTRATION**

- |                                    |                                          |
|------------------------------------|------------------------------------------|
| ➤ payroll                          | ➤ business planning and budgeting        |
| ➤ business regulations             | ➤ finance                                |
| ➤ accounting and financial control | ➤ use of computers and business software |

Suggestions on how to acquire these skills are considered in Section 8.

### **3.19 Risk Reduction**

A related issue is risk reduction – initial business planning should provide ways to reduce your risk. If sales are too low at your initial location, are there other options available? Can you establish the business with a low initial investment and a minimum of long term commitments (such as leases for space), and then consolidate the business as you become established?

### **3.20 Pricing for Profit**

Knowledge of pricing techniques in the retail sector is very important. Several objectives have to be achieved – market competitiveness, value for money, achieving your gross margins and covering your overheads, moving merchandise (inventory turnover) – all directed at being profitable and earning a return on your investment.

### **3.21 Sufficient Capital and Affordable Debt**

You have to have the investment capital available to establish and develop the business. And it is vital that your debt burden not be so high that it drains away your future profits.

You will probably also face the need over time to purchase new equipment, renovate your store, etc. and the capital for these items should come primarily from earnings retained in the business. Your objective should be to retire your debt in an orderly fashion and finance future asset additions out of cash flow to the maximum extent possible.

You will also have to have enough cash to finance the day-to-day operation of the business – to maintain your inventory, pay staff and keep up your marketing efforts. Too many businesses are established without adequate provision for working capital, and initial capital cost overruns can also use up some or all of the intended working capital. A retail business with inadequate working capital will end up cutting back on purchasing merchandise and maintaining stock, and/or on staff, which means it won't maximize its sales potential. In addition, it will be slow paying suppliers which will cost money (not being able to take advantage of discounts), and create trouble with its bank and creditors. Keeping a close eye on your cash flow is essential.

### **3.22 Effective Marketing**

Developing and maintaining an effective marketing program is also crucial to the success of your tourism retail business. Your marketing efforts must be targeted at the markets you have identified and they must also be effective in reaching prospective customers, and in highlighting your USPs and competitive advantages.



### **3.23 Conclusion**

In conclusion, you need to build a strong business concept for your tourism retail business, one that responds to the markets that are available, as well as the competitive situation. Your business concept and plan has to include an image for your store, a creative vision that will be carried throughout your operation – your merchandise, your displays, your marketing material, your exterior signage, etc.

The establishment of a tourism retail business requires careful planning and attention to a wide range of operational details. All of the foregoing success-related issues have to be adequately addressed in your business planning, and in the operation of your business. And as well, you need to have a personal commitment and dedication to a business which will demand many hours of your time, especially in its initial years of operation.



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## **SECTION 4**

### ***Preparing a Business Concept and Strategic Plan***



## SECTION 4

### **PREPARING A BUSINESS CONCEPT AND STRATEGIC PLAN**

#### **4.1 Identifying Opportunities, Themes and Concepts for Your Tourism Retail Business**

What type of tourism retail business should you establish? Where should it be located? Is there likely to be an adequate market for it?

You need first to build a model for your tourism retail business concept on paper, defining what type of tourism retail business you want to develop, its location, its image, its merchandising strategy, its USPs (Unique Selling Propositions) and competitive advantages. Together, all of these things will help you to craft a concept which has a high likelihood of working. This section addresses how to prepare this business concept and strategic plan. Section 5 explores the next step in the process of establishing your business – assessing the feasibility of your business concept.

If you've been in the retail business before, you have an advantage since your experience will have taught you valuable lessons. If not, you have to work harder to find the information you need to make good decisions.

We suggest that what you need to do first is to develop a winning concept for your tourism retail business, by looking into what has worked well elsewhere, by examining trends in the retail business, by identifying a great location and site, and by focussing on the types of merchandise and products that will appeal to the target markets that are available.

First, you need to have a general idea of the type of tourism retail business you are thinking of developing. You may already have some ideas which might include:

- A store selling only Nova Scotia made arts and crafts;
- A store selling primarily souvenirs of Nova Scotia;
- A store selling specialty gift ware, including a mixture of Nova Scotia and non-Nova Scotia products;
- A store focussing on a unique line of products, such as Nova Scotia folk art, pewter, or wooden arts/crafts;
- A store featuring specialty clothing targeted to the tourism market (e.g., T shirts, sweat shirts, jackets, hats);
- An antique store.

Find out where there are successful examples of similar types of tourism retail businesses in other communities in Nova Scotia or elsewhere. Visit them; talk to the owners or managers; find out what makes them successful. What are the major challenges they face and how do they deal with them? What are their markets? How do they market? How is their retail business changing? What types of merchandise are producing the best sales? What are the major dos and don'ts of the business? Tell them what you have in mind and ask for their constructive criticism. As long as these retail businesses are not going to be competing directly with you in your local market area, they are likely to be cooperative. Call them before you visit and get their agreement to talk to you.

One of the critical issues in identifying a winning tourism retail business is selecting the right location and you need to give careful consideration to issues related to the availability of sufficient market potential for your business. Does the community you are considering for your tourism retail business have sufficient market potential – Are there significant volumes of tourism activity in the community? Is there enough to see and do to create a "critical mass" of activity sufficient to keep visitors in the community? Are there other interesting retail businesses or other attractions sufficient to encourage visitors to walk around the commercial area? How large is the local/regional resident population which could provide additional markets for the business? What sites/buildings are there available for your tourism retail business? Are they accessible and visible to passing traffic (driving and walking)? Is there parking nearby? More on selecting a location and site is provided in the next part of this section.

You also need to take a close look at the potential competition. Are there already established tourism retail businesses that would provide strong competition to your proposed business? What are their strengths and weaknesses? What is their merchandise strategy? Customer service levels? How well do they appear to be doing? Are they in good locations? Are they vulnerable to a new tourism retail business coming in?

The success of your tourism retail business will be largely dependent on the success of tourism in your community. Are there established accommodations, attractions and activities in the area that are active in promoting the community as a tourism destination, and are working to grow the tourism industry? Are there other tourism-oriented businesses that you can partner with in marketing efforts? Are there businesses prospering or struggling?

Talk to the tourism organizations in the communities you are considering about how they see the opportunity and whether they think there is room for/need for a new tourism retail business in the market. What do they think about your ideas? Do they have suggestions for types of merchandise/products that tourists are looking for? People to talk to locally might include the manager of the local visitor information centre regarding the types of merchandise people are asking about, or the local chamber of commerce or business association.

## **4.2 Target Market Selection**

Obviously, tourists are going to be the primary market for your business but the local and regional resident market will probably also be target markets for your business, particularly if you intend to stay open all year. Local and regional residents may visit your store to purchase gifts, Christmas presents, etc. Once you have a general idea of the type of tourism retail business you want to establish, you should focus in a bit more on your target markets – Who are they? What are their needs and wants? What are their demographic characteristics and their key

interests and activities? What will they be looking for in a tourism retail store? Will they be looking for quality merchandise or a particular type of merchandise? Or will they be price-sensitive? What types of tourism retail businesses are they visiting in other locations?

You need to be careful that you don't try and become all things to all people. You need to identify which market segments will be your primary target markets and which will be your secondary target markets, and then focus on a concept and merchandise mix that will appeal to these markets.

A more detailed market assessment will be made later. At this point you are looking for general information which will help in piecing together a concept for the business, in identifying a preferred location, and in detailing the overall image for your retail outlet and type of merchandise you will offer.

This task is particularly important since you want to make sure you develop the right merchandising strategy for your tourism retail business, one that will have appeal to the markets available. The informal research you have conducted so far should be very helpful in this regard, but you will also have to be open to making refinements later in the planning process.

Generally, the target markets for a tourism retail business would include some combination of the following:

- Local and regional resident markets;
- Visitor markets to your community
  - People visiting friends and relatives
  - People staying overnight in commercial accommodations
  - Business, meetings and convention visitors
  - Day trippers through the community
  - Motorcoach tour groups visiting the community

You should then collect some very preliminary information on the markets available. How many tourists come each year? What is the local/regional resident population? Is the resident market growing or declining? Is there a summer resident market? Are there lots of accommodations in the community, suggesting a significant market of overnight guests, who will have more time to explore the community and stop at your store?

### **Market and Product Trends Assessment**

It is also important to look into trends in the retailing sector, in specialty retailing and in tourism generally. This will provide you with ideas on how to create your competitive advantages and how to develop a tourism retail business that responds to the expectations of the marketplace.

A valuable source of information on consumer and product trends can be other tourism retail business operators already in business. Talk to the managers of these types of facilities, both within Nova Scotia and in other provinces and explore with them their experiences in consumer and product trends.

You may also want to do some more in-depth market and/or product research, using the techniques and sources described in more detail in Section 5.

### **4.3 Location Selection**

Given the critical importance of location to the success of retail businesses, you need to pay careful attention to this issue at this early stage in planning the concept for your business.

There are two key issues – selecting the community, and selecting a location within the community.

Many of the key factors to consider in selecting a community are related to the availability of markets and the competitive situation, and have already been identified in section 4.2. You should also approach the local municipality as well as the Department of Transportation and Public Works and explore issues such as:

- Municipal zoning regulations and bylaws which may restrict the areas of the community in which retail business can be established. There may also be restrictions on the hours/days of operation in the community or in some parts of the community.
- Future plans within the municipality for new development, changes to roads and traffic patterns. It would be worth visiting the local/regional economic development office to find out what changes they expect to see in the local economic situation.
- Are there any plans to develop new highways that would bypass the community? This could potentially have a significant negative impact on traffic flow through the community, and on the markets available to your business.

If your assessment of the available markets, the competitive situation and these other factors raises some concerns about the community in which you are planning to locate your tourism retail business, then you should seriously explore other options. Your own community may not be the best place to establish a tourism retail business; perhaps there is a nearby community with larger markets or less competition, or with more potential for tourism growth.

If you are confident that there is a tourism retail business opportunity in the community, the next challenge is finding the best location for the business. Since the location can make or break your retail business, you should pay careful attention to this step. Before looking at specific locations, there are a number of general issues that can provide some guidance as to the characteristics of the best location. Consider the following:

- Will your tourism retail business be sufficiently unique and appealing to stand out in the midst of competition?
- Do you need to be in a prestige location or facility because you are targeting a high end market? Or do you need a facility with very low occupancy costs because you are planning on offering low-priced merchandise?
- Will you be totally dependent on traffic passing by the store, or are you expecting the store to be able to become a traffic-generator in its own right?

- Do you need to be located in an area where there are other retail outlets, with a critical mass of stores that can draw traffic, or will your store be large/significant enough to draw traffic in its own right?
- Are there other types of retail outlets that would be complementary to yours, and which it would be beneficial to be near?

You also need to consider the pattern of tourism and retail activity in the community. Are the visitors coming into town, parking and then walking around or do they drive through and stop for a short while at places of interest? Is there a major attraction at which most visitors stop? Are all the retail outlets concentrated in the downtown core, or are there several different concentrations of retail and/or tourism activity? Is there one major route or thoroughfare through town that carries most of the tourist traffic? If so, you probably want to be on it.

Remember this key principle in selecting your location – it is worth paying more for a better location and, in particular, for the best location. Not only will this contribute to the success of your business but it will also help minimize the chance that a competing retail business will set up in the best location.

Consideration of these factors will help you determine the general location within the community where you want to open your store. The next task is to pick a specific site/ building, and this is explored next.

### **Selecting a Site/Building**

When it comes to selecting a specific site or building, there are a number of other factors that you need to assess:

- **Size of building/property:** Is there sufficient space to build your store and provide for parking, landscaping, etc.? Is the building large enough for your display area as well as for storage and administration space? Is there room to expand if your business grows?
- **Cost to purchase/lease:** What are the costs? What types of terms will you be able to get on the lease? Will the building owner provide leasehold improvements to your specifications?
- **Cost to renovate/put in fixtures:** What are the costs to provide the type of interior layout and display areas that you need? Are there hidden costs, such as those associated with resolving structural or servicing problems?
- **Access from major thoroughfares used by visitors:** Is the site/building on the major thoroughfare, easily accessible from it or is it in an out-of-the-way location?
- **Visibility to auto traffic:** Will traffic driving by have a good view of the store? What about signage – is there space to put up a quality sign on the property? Is there time for auto traffic to see the building, make a decision to stop and turn in?
- **Visibility to foot traffic:** Is the site/building in good view of potential customers walking along the street? Is visibility blocked by other similar businesses? Is there appropriate space to develop an “exterior” image to encourage customers to enter the store? Selecting one side of the street or the other could mean a significant difference in your level of sales. It might



be useful to spend some time, at different times of the day, observing the patterns of foot traffic in the vicinity of the site you are considering to help you really determine how good a location it is.

- Proximity to competition: How close are competing stores? Will your store stand out among them? Are the competing stores better located with respect to visibility from auto/foot traffic?
- Quality of adjacent land uses: What are the adjacent land uses? Are there any that will discourage visitors? Are there any plans for significant changes in adjacent land uses? What do the zoning regulations permit?
- Proximity to complementary visitor demand generators: Are there any major attractions or other facilities of appeal to visitors in the vicinity of the location, particularly attractions that will draw visitors to the location?
- Availability of parking: Is there sufficient space for parking either on-site or nearby? Will you be responsible for providing some parking spaces? How many? What about parking for staff? Is there access for deliveries?
- Suitability of building: How suitable is the building for retail uses? Is there window space that is appropriate for displays? Can you create an inviting entrance?
- Environmental Constraints: Are there any potential environmental problems with the site you are considering?

There may be a number of other criteria that are important for your particular type of tourism retail business or in the community you have selected. Exhibit 2 provides a matrix that you can use to evaluate different sites. You can score each site on each criteria to help you decide which is the best location. You may want to give some extra weighting to some criteria, such as costs and visibility to visitor traffic.

You can get more precise in your site/location assessment by doing some more detailed research on volumes of potential customers, as well as surveys of potential customers. These topics are addressed in the next section on Feasibility Assessment.

#### **4.4 Owning versus Leasing**

You will also want to consider the option of owning the space in which your retail business is located, versus leasing the space.

If your financial resources permit, owning a building may be the preferred approach in the long term. You can build up equity in the real estate and will be able to develop the space in the way that best suits your retail concept. However, purchasing a building means that you are forced to make a long term commitment to the business. You may well decide to "test" your retail concept in a leased space and only make the decision to purchase after you have proven that the business is successful.

## EXHIBIT 2

### SITE EVALUATION MATRIX

| EVALUATION CRITERIA                                  | Weighting | Site #1 | Site #2 | Site #3 | Site #4 |
|------------------------------------------------------|-----------|---------|---------|---------|---------|
| Size of Building/Property                            |           |         |         |         |         |
| Cost to Purchase/Lease                               |           |         |         |         |         |
| Cost to Renovate/Fixture                             |           |         |         |         |         |
| Access from Major Thoroughfares used by Visitors     |           |         |         |         |         |
| Visibility to Visitor Traffic – Auto                 |           |         |         |         |         |
| Visibility to Visitor Traffic – Foot                 |           |         |         |         |         |
| Proximity to Competition                             |           |         |         |         |         |
| Quality of Adjacent Land Uses                        |           |         |         |         |         |
| Proximity to Complementary Visitor Demand Generators |           |         |         |         |         |
| Availability of Parking                              |           |         |         |         |         |
| Suitability of Building                              |           |         |         |         |         |
| Environmental Constraints                            |           |         |         |         |         |
| Other                                                |           |         |         |         |         |
|                                                      |           |         |         |         |         |
|                                                      |           |         |         |         |         |

## **4.5 Marketing Strategy**

In this initial stage of developing your business concept, you also need to give consideration to how the tourism retail business will be marketed.

Most of your marketing efforts will likely be directed to consumers, involving activities such as advertising in travel guides, newspapers, signage, etc. You should also build some partnerships with local tourism businesses and explore opportunities for co-op marketing efforts and for special promotions to give your retail business profile within the community.

The topic of marketing strategies is dealt with further in Section 9.

## **4.6 The Strategic Plan**

You should document the previously mentioned planning activities in a written summary, which will form your initial strategic business plan or project description. It should include:

- An overall description of the concept for your tourism retail business;
- The types of merchandise you propose to sell;
- The location you have selected, and the site(s) you are considering or have selected;
- The major markets to be targeted;
- Your proposed unique selling proposition (USPs);
- Probable season(s) of operation;
- The types of opportunities for partnering in marketing.

We will next explore the issues around establishing the feasibility and financial viability of your tourism retail business and then move on to explore some design issues.

---



## **SECTION 5**

### ***Feasibility Analysis***



## SECTION 5

### **FEASIBILITY ANALYSIS**

Will your plan work? Can you get the number of customers you need, and will they buy the type of merchandise you are proposing to have in the store, at the prices you need to charge to generate enough money to cover the cost of your merchandise, pay your labour and other operating costs, cover your borrowing, and pay a return on your equity investment?

These are vital questions you need to address, in order to reduce uncertainties and risk to a minimum. The cost of making major mistakes can be bankruptcy. Why risk everything without making the best possible effort to reduce your risks? The information coming out of a feasibility assessment can help make the business a success.

While you may be reluctant to spend the time and money necessary for this step or think you don't need to, your banker or other financiers are very likely to insist on it.

So, a proper feasibility assessment should be undertaken. You can do much or all of it yourself, following the process described in this section.

If your tourism retail business is a larger, more complex one, or if your banker or other sources of financing request it, you may have to have a professional feasibility study undertaken. There are ways of keeping the costs of a professional feasibility study reasonable, and you may be able to get some financial help for the study from prospective investors or a government agency. If you've done the homework described earlier in preparing your business concept and strategic plan, the feasibility study can be done a lot more quickly and economically.

A proper feasibility study, assuming a basic business concept and strategic plan has been developed, consists of the following steps:

- Projections of capital costs and financing requirements;
- Market research and analysis, including analysis of competitive and comparable facilities;
- Projections of sales, operating costs, debt service and profits;
- Break-even and return on investment analysis.

This section of the manual describes, generally, how to do a feasibility study.

## **5.1 Capital Investment Requirements**

We suggest that the first step in preparing a feasibility study should be the development of an estimate of the capital investment required to establish the tourism retail business, since this can give you an idea of what kind of financing you will need. Your financing requirements will also give you the basis for estimating some of the numbers you will need in your projections of operating costs.

You don't need a detailed capital-cost schedule or financing plan at this point. You are trying to assess the feasibility of establishing the proposed tourism retail business, not actually planning the business. What you need is an estimate of your capital costs and financing needs.

You will need to give some consideration to preliminary design parameters for your tourism retail business – how large your store is going to be, whether you will be developing a new building or leasing space, what type of displays/fixtures you might need. You should have already identified much of this while selecting a location and developing your overall business concept.

Exhibit 3 provides a template or worksheet you may find useful when developing your preliminary capital budget.

There are various sources of information you can use in developing this initial capital budget. Suggestions are presented below:

- Land, buildings, and services. A tourism retail business typically requires some sort of land and/or building infrastructure. As discussed in the previous section, you may be able to buy a site with a suitable building on it, or, more likely, you will want to lease suitable space and undertake any necessary leasehold improvements. Your initial capital investment is likely to be a lot less in this latter scenario.

Real estate brokers can help you by seeking out potential sites and advising on the costs of purchasing. With new construction, the real estate broker can help with land costs, but you'll need some other help to determine the costs of building construction, services, site improvements, etc. Help here can perhaps be obtained from an architect or a builder, particularly if you are a prospective client. An engineer may be required to advise on servicing and mechanical costs. A landscape architect can advise on site finishing costs including such things as parking areas, lighting, signage, etc. For a preliminary estimate, you may be able to use a cost-per-square foot allowance. You will need some help from local builders to determine what cost factors are appropriate for your area.

A real estate broker will also be able to assist you in finding space available for lease, and in negotiating lease arrangements with the landlord. You may need some help from an architect or interior designer to develop estimates of necessary leasehold improvements to make the space suitable for your retail business.



**EXHIBIT 3**  
**CAPITAL REQUIREMENTS WORKSHEET**  
**(\$)**

**CAPITAL ASSETS:**

|                                               |    |
|-----------------------------------------------|----|
| Land and/or Building Purchase/Construction or | \$ |
| Leasehold Improvements                        |    |
| Displays and Fixtures                         |    |
| Other Equipment, Point of Sale System, Office |    |
| Systems, etc                                  |    |
| Signage                                       |    |
| Parking, Landscaping Services                 |    |

**Subtotal C**

**PRE-OPENING SOFT COSTS:**

*(Costs prior to revenue being earned)*

|                                            |  |
|--------------------------------------------|--|
| Salaries                                   |  |
| Staff Training, Wages and Costs            |  |
| Pre-Opening Marketing and Public Relations |  |
| Interest During Construction               |  |
| Design and Consulting Costs                |  |
| Other Professional Fees                    |  |
| Incorporation/Registration/Licensing Costs |  |
| Other                                      |  |

**Subtotal D**

**WORKING CAPITAL:**

|                                                    |  |
|----------------------------------------------------|--|
| Inventory (merchandise for resale)                 |  |
| Prepaid Expenses                                   |  |
| Cash to carry Receivables and other Current Assets |  |
| Cash Reserve                                       |  |

**Subtotal A**

|                           |  |
|---------------------------|--|
| Bank Loan (if applicable) |  |
|---------------------------|--|

**Subtotal B**

**Net Working Capital Required (A minus B) E**

**TOTAL CAPITAL ASSET REQUIREMENTS (Subtotal C)**

**TOTAL SOFT COSTS (Subtotal D)**

**WORKING CAPITAL REQUIREMENTS (Subtotal E)**

**CONTINGENCY**

**TOTAL FINANCING REQUIRED**

- **Fixtures and equipment**, such as display racks, point of sale systems, office systems, etc. Equipment suppliers can give you price lists and can also advise you on your likely needs. It will help if you draw up a list of what you think you might need first and then get their comments. You will require display cases and various other fixtures, lighting, and shelving for storage. Under this category, include your point of sale systems, other computers/printers, and any other office systems you will need, as well as furnishings for administrative areas.
- **Soft costs**. Soft costs are operating-type costs required to start the business that are capitalized, since they occur prior to the opening of the business. They include such things as operating costs incurred prior to opening – salaries, office operation, initial marketing, etc. They also include one-time costs such as initial training costs, interest during construction, design costs, consultants' fees, etc. You should try to do a work-up of estimates for each relevant item. Where this is not possible, provide for an allowance to cover the item.
- **Contingency**. A contingency allowance should be planned for unexpected cost increases, overlooked items, unanticipated additional costs, etc. The allowance should be between 5% and 20%, depending on how refined your costing has been and how confident you are in the numbers.
- **Working capital**. Your financing will have to cover not only capital costs and soft costs, but also enough working capital to sustain the operation of the business. Working capital is defined by accountants as the difference between current assets (e.g., cash in the bank, receivables, inventory of resale items and supplies) and current liabilities (e.g., accounts payable, other amounts becoming payable in the current year). In other words, it's the cash available to run the business and deal with short term contingencies.

Your major working capital need will be to purchase your opening inventory, and to maintain your inventory at appropriate levels.

When you start the business, your working capital will be in the form of cash and a bank operating line of credit. There is no fixed formula for how much working capital is appropriate, but a good guideline is to have enough to cover one to two months operating and capital expenses.

## **Financing**

The total of the above represents the amount of financing you are going to require to start the business. You will now need to prepare a plan of how the financing is to be structured, since the feasibility assessment requires a determination of any interest and principal payments on borrowing and the amount of equity to be invested.

## **5.2 Market Analysis**

The next stage of feasibility analysis involves an assessment of markets and a determination of market potential, i.e., what your sales are likely to be. This analysis will be largely dependent on the location of your store, so it will be important that you have been through the locational analysis and site selection process described in Section 4 before attempting to estimate your potential sales. There are several steps to be taken, as discussed below.

## Research and Analysis of the Target Markets

Your previous research in developing the business concept involved identifying the target markets for your tourism retail business. You now need to pull together some information on each of the key markets. The first question is?

How big is the market in my area? How many prospective customers are there?

You have probably identified both resident and tourist markets as potential target markets for your retail business, and different sources of information are available on each of these market segments.

For the resident market, you need to do a trade area analysis. This can be a very complex undertaking in which the resident market is segmented according to a wide range of different characteristics (such as income, age, spending habits, purchasing power, existing retail sales by type of product), or, and probably more appropriate for your needs, as simple as determining the total population within your market area. You can also purchase trade area analyses from commercial companies which use comprehensive Statistics Canada data bases to create detailed analyses.

You may want to break your resident market area into two zones; your primary trading area (the community itself), and a secondary trading area which incorporates a larger, regional market area.

Data is available on resident populations through census data published by Statistics Canada. You can get breakdowns for municipalities, census regions, provinces, etc. You can download this information directly from Statistics Canada's website ([www.statcan.ca](http://www.statcan.ca)) by following the links to Community Profiles. Statistics Canada can provide you with a variety of other useful information including Small Business Profiles which provide business financial statistics and can be used when developing your projections of operating expenses, and information on family expenditures in Canada.

For data on tourist markets, sources include Nova Scotia's provincial Visitor Exit Surveys, Visitor Traffic Flows and Tourism Insights (all available on line at [www.nstpc.com](http://www.nstpc.com)) as well as the Canadian Travel Survey and International Travel Survey (available through the CTC web site referenced earlier).

Most of the data reported is on Nova Scotia as a whole, but what you need to try to find out is how big the tourist market is in your community or area. This can be a problem since such data are rarely readily available. Local tourism-related organizations may have done some research on the tourism markets in your area. We suggest you talk to sources such as the local visitor information centre, Chamber of Commerce, Regional Development Authority and/or Regional Tourism Association.

You may need to piece together the market size data using information available from the Department of Tourism, Culture and Heritage. For example, they can give you data on the annual occupancy rates at commercial accommodations in your area. You can use this data to calculate the number of occupied room nights in the area, and, using estimates of the average party size and the average length of stay in the community, you can determine approximately how many visitors stay overnight in the area. You then have to make some estimates of the number of

visitors staying overnight with friends and relatives, as well as the volume of visitors on day trips to the community.

### Doing a Traffic Count

Since you will be dependent to a significant degree on traffic (either on foot or by car) passing by your door and making an "impulse" decision to enter the store, you may want to look at doing a "traffic count." Be careful, however, to consider the reasons people are passing by the location you have selected and whether some segment of the traffic should be eliminated as potential customers. For example, if your location is situated between a major parking lot and the post office, and most members of the community come to the post office every day to pick up their mail, you will need to discount your traffic counts so as not to overestimate the size of the potential market of real prospects.

Doing a traffic count will involve several steps, as follows:

- Decide on the best location to do the count (e.g., right outside your location, at the nearest intersection);
- Do counts at different times of the day and the week, because volumes of traffic can change considerably from time to time. If you base your traffic count on counts at the noon hour when all the local office staff are out for lunch, you will come up with an inflated estimate;
- You ideally should do your counts at different times of the year – during the peak tourism season, during the shoulder season and during the off-season;
- Develop an average daily count for different periods and multiply by the number of days you will be open in that period, to come up with an estimate of total traffic passing by the site.

Your local municipality, or potentially the province through the Department of Transportation and Public Works, may be able to provide you with some traffic count data.

You may also want to interview some of the people passing by your selected location. You could conduct this survey yourself or retain some outside research assistance to do so. If you decided to do it yourself, you want to randomly select (e.g., select every 10<sup>th</sup> person passing by the site for a selected time period each day) people to interview and ask them a number of questions. As with the traffic counts, make sure that you conduct your interviews at different times of the day and week, and during both the peak and shoulder tourist seasons so as to minimize the bias in your survey. If you are planning on being open all year, then you will want to conduct some interviews during the November to May period as well, so that you can prepare a profile of potential customers throughout the course of the year.

Questions to ask might include:

- Where do you live?
- Why are you here (in the community and in the specific location)?
- Where do you plan to shop and for what types of items?
- How much do you plan to spend?

This will help you determine what proportion of the traffic passing by your location are potential customers for your store.

How many of these people might I reasonably expect to buy the kind of merchandise I plan to sell in my store?

The next task is to determine what the potential sales might be of the type of merchandise you are planning to sell. To determine this, you first need to estimate the total spending by your target markets on this type of merchandise.

For your resident target markets, the Statistics Canada sources you have used earlier should have some more detailed information that will help you, such as sales per household of certain types of merchandise, for Nova Scotia or for your region of the province. You can then apply this data to the number of households in your market area.

If you use this approach, you will have to add an estimate of potential sales from visitor markets, as described below.

To determine potential sales from visitor markets, you can use data collected from the Department of Tourism, Culture and Heritage to estimate per person per day spending on shopping. Make sure that the data you use matches with the markets you apply it to. For example, if you are using data on total spending by tourists in Nova Scotia, remember that this is spending by both visitors to the province, and Nova Scotians travelling within the province. If you are using data from the Nova Scotia Visitor Exit Survey, this applies only to spending by visitors from outside the province.

Once you have an estimate of per person per day spending on shopping, you can apply it to your estimates of the size of the tourist market in your community. If tourists are only spending a portion of the day in your community, adjust the daily spending rate on a pro-rata basis.

These techniques will only give you an approximate measure of the potential retail expenditures for the type of merchandise you are planning to carry, and will be based on the characteristics of an average Nova Scotia community. It is very probable that the spending will not be evenly distributed – communities with more significant retail opportunities will attract a larger than average share of retail spending. To be on the safe side, you should probably discount the total figure you come up with to account for these types of discrepancies.

Retail publications may also carry information that will be useful to you in this respect. Some sources report sales per square foot for different types of retail stores. You could obtain averages (called norms) of this type and apply them to the approximate size of store you are planning. The sales estimate you realize from this methodology can be compared to estimates generated using other methodologies to determine how reasonable your figures are.

It will be important also to cross-check your estimates with some "real" figures. Perhaps your local economic development agency or downtown business association, or even Statistics Canada has some estimates of total retail sales in your community, or preferably retail sales by category. Compare this to the estimates you have come up with and determine the reasonableness of your estimates. If your analysis seems very high or very low, you should go back and revisit your calculations.



## Comparables Research

Comparables research involves investigating how similar tourism retail businesses in other locations are doing in generating sales. This type of information can be particularly useful when it comes to estimating your sales potential. Similar types of stores in similar market situations can be expected to perform in similar ways, when it comes to variables such as revenue per transaction and the number of visitors entering the store, compared to the total market available.

Talk to the operators of tourism retail business in other communities, being careful to select stores and communities that are similar in nature to your situation. See if you can get information on the sales per transaction and on the numbers of customers entering the store and what proportion spend money. If it is available, information on the size of the markets available to these comparable retail establishments would also be useful so that you can estimate their market penetration rates.

## Competitive Analysis

How much of the potential sales can I expect to get at my retail outlet?

The foregoing analysis will help you determine the total potential sales for the type of retail merchandise you are proposing to sell. The next step is to try to figure out how these sales might be split up among the competition in the community. The variables here are:

- The amount of competition – the number of retail stores in the community selling the merchandise that appeals primarily to visitor markets;
- The strengths of your proposed store, product mix and merchandising strategy compared to those of the competition;
- Reputation for customer service.

While you should by now have a pretty good sense of the appeal of your product concept, you need to take a good look at the competition and do so objectively, as a future customer would. You need to try out the competing tourism retail stores, learn about their strengths and weaknesses and try to get an idea about how much business they might be doing. Things to check out and compare to your own business concept include:

- Location - convenience, availability of parking
- Exterior appeal/window displays/signage
- Overall experience and quality of customer service
- Store interior/layout, lighting, displays
- Merchandise quality, quantity, price
  
- Customer service and staffing
- Advertising and promotion - scope of promotional activities, profile in the community, quality of advertising materials
- Added-value services, such as shipping, gift wrapping
- Sales

By trying out these stores and asking around, you can fit together a pretty good picture of all of these, except the last one. You may have to do some detective work to develop an estimate of sales. Find a good spot from which to watch the competitors' stores. Do traffic counts of people passing the store and look at what proportion go into the store (this will be useful in estimating your penetration of available traffic). Visit the store and see if you can estimate what percentage of the people going in the door actually buy something and what the value of the average transaction is. Engage in casual conversation with sales staff to find out about the operation. Look at the quantities of stock available on the shelves and visit the store periodically to assess the apparent stock turnover rate. If the competing store has its own parking lot, count the number of cars there at different times of day. You can also look at the number of staff or cashiers on duty.

Make up a worksheet on which to summarize your findings, such as the one presented in Exhibit 4. Rank your store and the competition on each factor, using a scale of 1 to 3 or 5, where 1 is poor and 3/5 is excellent. Make some notes where you see that the competition has some unique strengths - areas to which you will need to pay careful attention in developing your own USPs and merchandising strategy.

### **Assessment of the Retail Trade Sector**

You will also want to do some further, more in-depth research on the retail trade sector. What is happening in the marketplace? What trends are being experienced? Are sales of discretionary merchandise increasing or decreasing? Is there any information on trends in tourism retail business in Nova Scotia?

There are a number of places that you might find information to help with your assessment, both on markets for retail businesses, and on the retail business generally. These sources include:

- Statistics Canada, which has a number of publications and information sources that might help. Much of this information can be accessed or ordered on-line, through their web site ([www.statcan.ca](http://www.statcan.ca)) including:
  - Retail Trade (Catalogue #63-005), published monthly and provides data on retail sales for chain and independent stores by kind of business, for Canada, by province and selected major cities;
  - Market Research Handbook (Catalogue #63-224), a source of socio-economic statistics on the Canadian consumer market;
  - Canadian Business Patterns, a CD-ROM that includes business demographics on retail trade businesses;



# EXHIBIT 4

## WORKSHEET FOR ASSESSING THE COMPETITIVE RETAIL SITUATION

| Evaluation Criteria                                                                                                                     | My Store | Competitor #1 | Competitor #2 | Competitor #3 | Competitor #4 |
|-----------------------------------------------------------------------------------------------------------------------------------------|----------|---------------|---------------|---------------|---------------|
| Location<br>Convenience<br>Availability of Parking<br>Visibility/Accessibility<br>_____                                                 |          |               |               |               |               |
| Exterior Appeal<br>Window Displays<br>Signage<br>Landscaping<br>_____                                                                   |          |               |               |               |               |
| Store Interior<br>Store Layout<br>Displays<br>_____<br>_____                                                                            |          |               |               |               |               |
| Merchandise<br>Assortment<br>Quality<br>Quantity/Depth of Stock<br>Consistency with Image<br>Appropriate Price Levels<br>_____<br>_____ |          |               |               |               |               |

# EXHIBIT 4

## WORKSHEET FOR ASSESSING THE COMPETITIVE RETAIL SITUATION

| Evaluation Criteria                                                                               | My Store | Competitor #1 | Competitor #2 | Competitor #3 | Competitor #4 |
|---------------------------------------------------------------------------------------------------|----------|---------------|---------------|---------------|---------------|
| Customer Service/Staffing<br>Number of Staff<br>Friendliness<br>Knowledge<br>Service Level        |          |               |               |               |               |
| Advertising and Promotion<br>Quality<br>Consistency                                               |          |               |               |               |               |
| Added-Value Features<br>Gift Wrapping<br>Shipping<br>Credit/Debit Cards<br>Exchange/Return Policy |          |               |               |               |               |

- Financial Performance Indicators, which provides financial benchmarks on different types of businesses;
- Survey of Family Expenditure and the Survey of Household Spending which provide details on average family and household expenditures on a wide range of items and services.
- Strategis, a federal government service that provides a wide range of information. It can be accessed through the web site [www.strategis.ic.gc.ca](http://www.strategis.ic.gc.ca) and search for Business Information by Sector and then Retail Trade;
- The Retail Council of Canada, which produces a variety of publications that may be useful ( [www.retailcouncil.ca](http://www.retailcouncil.ca) );
- The Eaton Chair in Retailing, Ryerson Polytechnic University, Toronto. This centre also has a web site which lists hundreds of other web sites with useful information on the retailing sector. Check the website at [www.ecr.ryerson.ca](http://www.ecr.ryerson.ca) ;
- Retail magazines (Gift and Decorating is a major US retail trade magazine);
- Major retail shows, such as the Toronto Gift Show which is a key source of information on product trends, as well as a major buying opportunity for tourism retail businesses.

### **Conclusions from the Market Analysis**

The final task in the market analysis is to determine the sales potential for your proposed store. Basically, you first need to estimate what proportion of the potential sales in the market area your store will be able to attract, in other words your market share of available sales. This calls for some judgement on your part as to how your business will do relative to the competition, since you will be sharing in the existing sales that are available in the community.

Also, if you have a unique, high quality new retail product, your business may create an expansion in the size of the local market. In other words, your business may generate new sales. You can estimate this by grossing up from your market share estimate. Your comparable analysis might give you some idea of the potential increase over current market activity that your store could achieve.

Again, this should be somewhat of a circular process, with a number of checks and balances. One approach would be to first, identify what you think your share of potential sales could be, based on your analysis of your market position (your USPs, competitive advantages and disadvantages) relative to that of the competition. Then translate this into sales per day for your operating season. You should have a fairly reasonable idea of what the average price of your merchandise will be. Divide this into the sales volume and see what it means in terms of the number of transactions or the number of customers making a purchase.

Use another approach as well and compare the results. Estimate the percentage of people who will enter your store, using the sizes of the potential markets you came up with (either from your market analysis or, preferably, from your traffic counts), and your research into the experience of

competing stores and comparable stores elsewhere. Remember that only a portion of the traffic passing your store will enter the store, and only a portion (some data sources say 5% - 25%) of those who enter the store will make a purchase. Then estimate what percentage of those who enter the store will spend money and what the average transaction will be. Multiply the two together to come up with an estimate of your potential sales.

Your calculations at this point are probably for some future year, once your store has become established and it reaches a fairly mature condition in terms of market share. When completing your feasibility analysis, you will need to estimate the sales in the early years of operation as well.

### **5.3 Projections of Revenues, Operating Expenses and Operating Profit**

The conclusion of your market analysis will be an estimate of gross sales for your tourism retail business, for a normal or mature year of operation, probably year 3 or 4, if you are depending primarily on markets already in the community. If you are establishing a retail store that will be a "demand generator" by itself, it will probably take longer for you to reach this mature level of sales.

You should next estimate the sales in the earlier years of operation. Essentially, how your sales will "ramp" up to the project level.

Next you need to prepare projections of three kinds of expenses – cost of sales, operating and overhead costs and capital related charges.

Exhibit 5 presents a worksheet for preparing expense projections for the first two of these. The numbers can be derived from a detailed work-up, based on an analysis of each item, or you can use industry "norms" which will provide realm-of-magnitude estimates. Operating norms are typically percentages of revenues/sales, such as the cost of sales as a percentage of sales. However, some norms are based on other things like cost per square foot as an example. (See Exhibit 5 for some suggested types of norms.)

The use of norms for this worksheet is simpler and probably just as accurate for this level of analysis. Several of the sources of information identified earlier include operating norms for different types of retail establishments which might be useful. Operating cost norms are generally known by experienced retail business operators, so in your research with comparable businesses you could ask the owners if they would help you with this as well.

You need to use some caution, however, since some cost items can vary widely depending on the exact nature of the store, your merchandise mix, location and the market situation.

#### **Cost of Sales**

Cost of sales is the cost of goods sold to customers, in other words, the cost you pay for the merchandise you sell in your store. The cost of sales varies by type of merchandise, type of store and the local competitive situation. Discussions with suppliers will help you come up with some average figures.

# EXHIBIT 5

## PROJECTIONS OF REVENUES, OPERATING EXPENSES AND OPERATING PROFIT

|                                             | BASIS OF CALCULATIONS                         | Estimated Percentage | YEAR |   |   |   |   |
|---------------------------------------------|-----------------------------------------------|----------------------|------|---|---|---|---|
|                                             |                                               |                      | 1    | 2 | 3 | 4 | 5 |
| <b>GROSS SALES</b>                          | Estimate from Market Analysis                 |                      |      |   |   |   |   |
| Allowance for Returns                       | % of Sales from Industry Norms                |                      |      |   |   |   |   |
| <b>NET SALES</b>                            | Gross Sales less Allowance for Returns        |                      |      |   |   |   |   |
| <b>COST OF GOODS SOLD</b>                   | % of Sales from Industry Norms or worksheet * |                      |      |   |   |   |   |
| <b>GROSS MARGIN</b>                         | Net Sales less Cost of Goods Sold             |                      |      |   |   |   |   |
| <b>EXPENSES</b>                             |                                               |                      |      |   |   |   |   |
| Payroll                                     | % of Sales (Industry Norms) or Worksheet      |                      |      |   |   |   |   |
| Fringe Benefits                             | % of Payroll Costs                            |                      |      |   |   |   |   |
| Credit Card Charges                         | % of Sales                                    |                      |      |   |   |   |   |
| Occupancy Expenses (Lease, Rent, Utilities) | % of Sales (Industry Norms) or Worksheet      |                      |      |   |   |   |   |
| Marketing & Advertising                     | % of Sales (Industry Norms) or Worksheet      |                      |      |   |   |   |   |
| Office Supplies                             | % of Sales (Industry Norms) or Worksheet      |                      |      |   |   |   |   |
| Postage & Delivery                          | % of Sales (Industry Norms) or Worksheet      |                      |      |   |   |   |   |
| Telephone                                   | % of Sales (Industry Norms) or Worksheet      |                      |      |   |   |   |   |
| Insurance                                   | % of Sales (Industry Norms) or Worksheet      |                      |      |   |   |   |   |
| Property & Business Taxes                   | % of Sales (Industry Norms) or Worksheet      |                      |      |   |   |   |   |
| Equipment Leases                            | % of Sales (Industry Norms) or Worksheet      |                      |      |   |   |   |   |
| Legal & Accounting Fees                     | % of Sales (Industry Norms) or Worksheet      |                      |      |   |   |   |   |
| Bank Charges                                | % of Sales (Industry Norms) or Worksheet      |                      |      |   |   |   |   |
| Travel & Buying                             | % of Sales (Industry Norms) or Worksheet      |                      |      |   |   |   |   |
| Bad Debts                                   | % of Sales (Industry Norms) or Worksheet      |                      |      |   |   |   |   |
| Miscellaneous                               | % of Sales (Industry Norms) or Worksheet      |                      |      |   |   |   |   |
| <b>Total Expenses</b>                       |                                               |                      |      |   |   |   |   |
| <b>OPERATING PROFIT</b>                     | Gross Margin less Total Expenses              |                      |      |   |   |   |   |

\* Worksheet means that you will have to develop a worksheet to derive exactly what these costs will be for your business.

## **Gross Margin**

Gross margin is the difference between your net sales and your cost of goods sold. This is a key ratio in the retail business. Your gross margin has to be sufficient to cover all of your operating and overhead expenses, make payments on your financing if necessary and provide a profit.

## **Expenses**

These include all the other expenses directly associated with running your business. The types of expenses you are likely to incur are described in Exhibit 5. Payroll costs and occupancy costs (lease or rent payments, utilities, etc.) will likely be your highest expense items over and above your cost of goods sold. Estimates of expenses can be developed based on industry norms or from a work-up based on a schedule of estimated costs.

### Fixed and Variable Expenses

The expenses of operating your business can also be categorized as either "fixed" or "variable." Fixed expenses are those that do not vary much with changes in the volume of business, such as rent and insurance for example. Variable expenses are those that vary depending on the volume of your business and the number of customers. In the retail sector, there are two variable expenses that you always have control over and these are inventory costs and wages and benefits. You should pay careful attention to monitoring these variable costs in operating your business. More information on the types of records you should keep and the management reports that you need to have, and monitor, is provided in Section 8.

## **Operating Profit**

The total of the cost of goods sold and the expenses represents the sum of the costs of operating the business. The difference between gross margin and the expenses represents the operating profit or operating income (or loss) of the business. Other costs, including depreciation and interest costs on financing, are discussed in Appendix III, Net Income, Cash Flow and Return on Investment Analysis. You should refer to this appendix to calculate the projected net income of the business.

## **Net Income, Cash Flow and Return on Investment**

Having calculated operating profit, it is now possible for you to determine whether or not the business will be feasible. Simply put, you need to decide whether the projected profit from operations is sufficient to repay any debt and to justify the effort and the risks. This is a judgement call you and your investors (if you have any) have to make.

Appendix III describes the calculations that you have to undertake to determine the income and cash flow of the business, and to calculate return on investment.



## 5.4 Break-even Analysis

Break-even analysis can also be a useful tool in planning your tourism retail business, although you should not use break-even analysis instead of the cash flow and return on investment analysis described above. After calculating your break-even level of sales, you can assess how "reasonable" it is to expect to be able to achieve this level of sales, given the local market situation. The break-even analysis also provides a benchmark you never want to fall to – if your gross sales fall close to this level, you are not generating enough volume to remain profitable. Short term solutions might include special sales or in-store promotions. However, on a longer term, the overall viability of the business should be assessed.

This analysis simply involves calculating the break-even point, which indicates how much you have to generate in sales in order to cover your costs with no profit and no loss.

In order to complete your break-even analysis, you need to know what the expenses (fixed costs) will be to operate your store, as well your cost of goods sold ratio. You can then calculate what level of sales you need to generate in order to break-even.

The calculation looks like this:

$$\text{Break-Even Point} = \frac{\text{Total Fixed Costs (Expenses)}}{1 - \frac{\text{Total Variable Costs (Cost of Goods Sold)}}{\text{Corresponding Sales Volume}}}$$

To use an actual example, assume that you have estimated that your total fixed costs for the year will be \$90,000. You have estimated variable costs (primarily your cost of goods sold) at \$550 for every \$1,000 of goods sold, or 55%. You would have to have total sales of \$200,000 to break-even, as illustrated in the box.

### *Sample Break-Even Analysis*

$$\frac{\$90,000}{1 - \frac{\$550}{\$1,000}} = \frac{\$90,000}{1 - 0.55 \text{ or } 0.45} = \$200,000$$

If your break-even analysis suggests a volume of sales that is significantly larger than your market analysis has indicated is achievable, you will need to go back and revisit your business concept as well as your cost estimates. Are there opportunities to revise your business concept so as to generate significantly higher levels of sales? Or can you cut your costs so as to come up with a lower break-even figure? In the absence of being able to achieve either of these things, you need to give serious thought to the viability of your proposal.

## 5.5 Making the Decision to Proceed

The requirements for completing a credible feasibility assessment for your business proposal are clearly complex and onerous, but it is vital that a proper feasibility assessment be done before major commitments are made to establish the business.



Not all business people make the effort to undertake such an assessment of their business plan. Without an assessment, they proceed to stake their capital and their livelihood on instinct, on gut feelings, and on the opinions of others who have nothing at stake. With so much at stake, it is worth a little time, effort, and money to try to reduce the risk of making a mistake.

The techniques of a feasibility assessment are not generally understood and some people believe that it isn't possible to predict the future accurately. This is a poor excuse. It is possible to get some guidance on how to prepare a feasibility assessment (this manual is one source, of course) and it is possible to get help to carry it out. And while it may not be possible to predict the future accurately, predicting the future is not really what's involved here.

What is involved here is risk reduction, moving a business proposal from the pure seat-of-the-pants, "gut-feel" level, to a different level that is almost certain to prove more accurate than a gut feel. There is a myriad of pieces of valuable information out there, some easily obtained, others not, which can help take many of the unknowns out of a business judgement.

As well, a feasibility assessment allows you to make a series of small incremental judgements and specific estimates rather than one huge one. The sum of a series of small judgements and estimates has proven again and again to lead to a more accurate prediction of future performance. In fact, when the estimating is broken down into small pieces, more often than not you will be able to find sources of information to help you make your estimates with some degree of accuracy. For example, you may not have any way of guessing what the total operating costs of your tourism retail business are likely to be, since your business will not be exactly like anyone else's. However, your cost of goods sold to gross sales ratio is likely to be similar to that of other retail businesses, your insurance rates will be similar, and your utility costs are likely to be similar to those of other businesses in the community with similar spaces.

Finally, the process of preparing a feasibility study will produce a whole series of ideas, opportunities, challenges, and problems for you to consider. As a result, you will be able to actually improve your business plan as a result of doing a feasibility study, as well as develop important insights about what it is going to take to be successful in the future.

The best, and perhaps most important, investment you will make in establishing your business is the preparation of a feasibility assessment.

### **Where to Get Help in Preparing a Feasibility Assessment**

Help in preparing your feasibility study can be found from a variety of possible sources:

- Your accountant;
- Other operators of tourism retail businesses, or other small retail businesses. You may be able to talk a noncompeting tourism retail business owner/operator into coaching you and helping you with projections. You may have to pay them a fee, but, if you're lucky, they might do it for the fun of it;

- Someone who's sold a retail business or has retired from the business;
- An official of a financial agency, such as ACOA, the Regional Development Authority, the Business Development Bank, or the Office of Economic Development;
- A private consultant.

Addresses for many of these sources of help can be found in Appendix I. Most of these sources will be free, or at least low cost.

As mentioned earlier, you may decide that the complexities or scale of your project require you to retain some professional expertise to prepare your feasibility study. You may not, in fact, have a lot of choice in the matter, since some lenders and investors will insist that you have a feasibility study prepared by a professional management consultant.

## **5.6 Preparing the Business Plan**

Once you have completed the feasibility analysis, you need to complete the business plan. The business plan is built on the material you have accumulated to date, and includes a plan of all the steps and processes you need to go through to get the business up and running initially and keep it running successfully in future years. This document should be updated periodically to reflect the changes that occur as your plans unfold and should include both strategic issues and normal operating processes. Since lenders will almost always ask to review a copy of your business plan, you should consider it as a part of the process of obtaining financing. The business plan is critical to the ongoing operation and success of your business and you should refer to it often.

The plan itself should contain all of the items outlined in Exhibit II-1 of this manual (the suggested table of contents for a presentation for financing, in Appendix II), as well as sufficient additional information to illustrate the steps you will go through to achieve your goal. You will need to document, for example, a marketing plan that will provide a strategy and process for you to attract customers to your store. Some suggestions for the types of things to include in this plan can be found in Section 9.

The business plan will include similar action plans for all other key areas of the company's operations, including organization and staffing, operating policies, internal controls, point of sale systems and other information systems, etc.

Knowledgeable business people all agree that business plans are essential for strategizing the direction that you wish to take and detailing the step-by-step actions you need to reach your goals. Furthermore, the business plan should always be considered as an evolving document, being changed as external conditions dictate and your own decisions require.

Other aspects of your business plan will be considered further in Section 8, Operations.

## **5.7 The Financing Plan**

You will need to identify your proposed method of financing the business, including equity investment, longer term loan financing required and working capital you will need. We suggest you should prepare a three-year schedule of capital needs and proposed financing, indicating both initial investments as well as additional investments you will need to make in the short term.

The financing plan needs to be supported by the projections from your feasibility analysis, particularly with respect to how the operating profits are going to be able to cover loan and lease payments.

If you are looking for equity partners as well, you will also need to illustrate how much will be available for distribution to the partners/investors in each year.

Appendix II provides a more detailed discussion of financing issues.



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## **SECTION 6**

***Developing a Merchandising Strategy  
and Designing Your Store***



## SECTION 6

### **DEVELOPING A MERCHANDISING STRATEGY AND DESIGNING YOUR STORE**

Having a solid, well thought-out merchandising strategy will be crucial to the success of the business. A merchandising strategy will help establish your market niche and make your business stand out from that of your competitors. It also provides a focus to your buying as well as a guide to the image of your store - you can't just "stock the shelves," you need a basis for making decisions as to what types of products to carry, and your merchandising strategy provides this. As well, your merchandising strategy forms the basis for the design and layout of your store. Your merchandising strategy needs to match the needs, wants and desires of your target markets to the products you have in the store.

This section of the manual explores issues to be considered in developing your merchandising strategy and then moves on to address topics associated with the exterior and interior design of your tourism retail business.

#### **6.1 Defining Your Merchandise Categories**

The first task is to define the broad categories of merchandise that you plan to offer in your tourism retail business, building on the overall business concept developed earlier. In a tourism retail business, your merchandise categories might include such things as:

- Nova Scotia hand-made crafts;
- Hand-made crafts from elsewhere in Atlantic Canada, Canada, overseas;
- Nova Scotia specialty food products;
- Clothing - sportswear, T-shirts, hats, etc.;
- Souvenirs;
- Jewellery;
- Books and magazines;
- Music - CDS and tapes;
- Giftware;
- Glassware;
- Antique furniture;
- Folk art;
- Wood products;
- Paintings and photographs;
- Pottery;
- Convenience/service items such as postage stamps, film, sunscreen.



Within each category, you need to develop a list of potential items that you might offer in your store.

You should make sure that your merchandise mix includes items having different gross margins (see the definition of gross margin in Section 5), with some products having higher gross margins than others (gross margins usually range from 40% to 60%). As a general principle, you want fast moving items with lower margins, and higher margins on merchandise that is slower moving. Be careful to make sure that you don't have a store full of merchandise that has a low margin – it will be a challenge to cover your costs and make a profit if this is the case.

In a tourism retail business where you are catering to a mix of different markets, you also want to be able to offer products at a range of price points, i.e. offer some items at each of low, medium and high price points. Many tourists are looking for gifts to take and often make their selection based on price. It is also important to offer easy to pack, small, non-fragile merchandise so that tourists can easily transport their purchases home.

Featuring Nova Scotian or Canadian products in your store can also be an important element of your product mix since some segments of the tourism market seek out this type of merchandise.

## **6.2 Identifying Sources of Merchandise**

Once you know what types of merchandise you want, the next task is to find suppliers who can provide you with the products you want. The best way of identifying potential merchandise suppliers is by reviewing trade publications, going to trade shows and talking to other retail businesses. Increasingly today, you can also use the Internet to locate suppliers of specific types of merchandise and also to seek out appropriate trade shows.

Major trade shows are one of the best ways to identify suppliers – the Toronto Gift Show is perhaps the most appropriate trade show for your type of retail business and you should also look at the Atlantic Giftware Show, held twice a year. Another good show, particularly if you are including crafts in your merchandise mix, is the Atlantic Crafts Trade Show, the largest wholesale craft sale in Canada, held in mid-winter each year. Major shows outside Canada that you may consider include the Buyers Market of American Crafts and the New York Gift Show.

Not only can you meet new suppliers at trade shows, but you can also pick up catalogues, keep up on trends, get ideas, look at new merchandise, and also network with others in similar businesses.

It will be important that you develop a relationship with suppliers who provide the types of merchandise you want to offer in your store. If you develop a relationship, suppliers will understand your objectives and merchandise strategy, and will keep you informed about the types of products that are available to meet your needs. Good suppliers will be knowledgeable about new product lines as well as trends in merchandise and the retail sector, and will be able to keep you up-to-date. As will be discussed later, developing relationships with suppliers can also be important when negotiating prices and payment terms/conditions. Developing good relationships with suppliers can take several years.

You should take care to buy from manufacturers and companies that are credible, that will stand behind their merchandise and that will be able to provide you with the type of merchandise you need, in the volumes you need, when you need it. This is particularly important if you are highly dependent on a seasonal market such as tourists – it will not be of much use to you if supplier delays mean that most of your merchandise doesn't arrive until late August when the tourist season is well advanced. At the same time, if you have a merchandise line that unexpectedly sells very well, you want to be able to restock quickly so that you do not lose the opportunity for more sales.

When seeking out merchandise for your store, you must keep your customers' wants and needs "top of mind." The suppliers will be keen to sell you their merchandise, particularly merchandise that they may be having a hard time moving. Take care not to get sold on merchandise that will not appeal to your markets, since you are likely to get stuck offering it at significant discounts in order to move it.

Also, don't select merchandise that doesn't fit with your overall strategy just to have something at a lower price point to offer in your store. All the merchandise you select must be complementary to your overall concept and strategy.

Some suppliers will also provide "point of purchase" support materials including such things as counter or window displays, in-store signs, racks, shelving or banners. Again, you need to make sure that these items will fit with the image and layout of your store before accepting them.

You should establish a method for keeping track of potential vendors, and keep the catalogues and other material on vendors that are potentially of interest to you.

### **Consignment Merchandise**

As a tourism retail business, and particularly if your merchandise mix includes a range of local, hand-made craft items, you may want to consider carrying some items on consignment. Consignment merchandise is not paid for until it is sold. This allows you to carry a wider assortment and volume of merchandise without having to carry the costs of the inventory. However, it also introduces an extra dimension to your relationships with suppliers and the types of arrangements and systems you need to have in place.

If you do decide to carry consignment merchandise, you should enter into a written agreement with each vendor, covering such things as:

- The split in revenue between the vendor and your business, and the details as to when such payments are made;
- Who covers the costs associated with shipping, and with damaged or stolen goods;
- How merchandise returns are handled and what happens to unsold goods;
- The duration of the agreement;
- Warranties provided by the crafts person.

It will also be important that you have a system in place to track the sale of each item that is on consignment, since you will need to have precise records in order to make payments to the vendors. You can use a manual system or incorporate this into your computerized point of sale system.

### **6.3 The Buying Process**

Once you have a list of vendors that offer the type of merchandise you want to carry in your store, you need to go through an evaluation process to decide how each one fits with your needs. There are several factors that you need to consider in this evaluation, as follows:

- **The Merchandise itself:** Does it fit your needs? The image and concept you have developed for your store? Your markets? Does the company offer an assortment of merchandise and a depth of merchandise within each type?
- **Availability of the Merchandise:** What are the delivery/shipping times? Delays can be costly. How long will back orders take? Are there minimum quantities that you have to order? You don't want to buy large quantities of an item unless you can sell large quantities, otherwise you will tie up money in inventory and storage costs. Do they have a depth of the type of merchandise you want, e.g. a variety of styles, colours, etc?
- **Vendor Policies:** What is their policy for taking back damaged merchandise? Who pays for shipping? If merchandise is shipped FOB Destination then the vendor owns the merchandise until it gets to your store and is therefore responsible for shipping costs and for any damages that occur during shipping. What is their policy with respect to customer returns? For refunds? What are their shipping dates and cancellation dates, relative to your order date?
- **Vendor References:** Ask for and check out references for the vendors you are considering. Find out such things as: whether orders are filled accurately; the time it takes to receive merchandise after orders are placed; the condition of the merchandise when it is received; the extent of back ordering that occurs; the willingness of the vendor to assist and support merchants.
- **Merchandise Exclusivity:** Is the vendor prepared to give you an exclusive on their merchandise, within a certain geographic area? This can be particularly important in a small market area, and if it is a unique line of merchandise that will give you a competitive advantage over other retailers.
- **Price:** What price is the vendor prepared to offer you for the merchandise you want, in the quantity you want? How does the price relate to what you can afford to add as a mark-up, and still offer a price that is appropriate for your markets?
- **Support Material:** Will the vendor provide any support material – display material, racks, point of purchase displays?

Once you have decided that you want to purchase merchandise from a vendor, you will need to enter into negotiations to establish the price and payment terms. Specifically, you want to come to an agreement on:

- **Price:** The minimum quantity price and the quantity discount price;
- **Payment Terms:** Cash discount terms are usually in the 2% range if you pay within a certain period, before the payment due date. Dating term – you should also negotiate this to determine the discount period and the due date. Some common examples in the retail sector are:
  - Net 30 – no cash discount; full amount due 30 days from date of invoice;
  - 2/10 Net 30 – 2% discount if payment is made within 10 days of the invoice date; net amount due within 30 days.

Terms are usually only extended to established accounts. Your initial purchases from a supplier will usually be COD (Cash on Delivery) or payment by cheque when the product is ordered.

Once you are ready to make the purchase, use a purchase order that includes a description of the products you are buying, quantities, price and terms/conditions.

## **6.4 Factors to Consider in Designing your Tourism Retail Business**

### **Exterior**

The exterior appearance of your tourism retail business is critical to the success of your business – you need to create a "don't miss us" impression. We have already discussed the importance of selecting the best location and site for the business. But, even if you have the best site, you will still have difficulty attracting customers into your store if you have an uninviting exterior "face". First impressions are vital in the tourism retail business, and you need to put considerable effort into your entrance way, theming, window displays and exterior surroundings. When planning the exterior of your store, keep in mind the AIDA formula used in marketing, that is:

- Capture **ATTENTION** – the exterior appearance should be unique, appealing and exciting so as to attract the attention of potential customers passing by your store.
- Generate **INTEREST** – together, your signage, landscaping and window displays have to move the potential customer from curiosity to interest, and
- Develop a **DESIRE** – for the merchandise you have to offer, which prompts entrance into the store.
- Issue a call to **ACTION** – finally, you need to persuade the customer to take action by making a purchase.

There are a number of specific elements of the exterior appearance of your tourism retail business that you need to consider.

- **Signage:** The signage announcing your business is an important part of your image. While the size, placement and content of your sign may be dictated to some extent by municipal and/or provincial regulations, you should make sure that you have a good quality, tasteful sign. It should be professionally painted, not hand-lettered, and fit in with the ambience of the surrounding community/area. It will also need to be two-sided. You may want to consider allowing space for a special promotional message that can be changed on a regular basis and used to announce sales, unique merchandise and even to welcome groups of visitors (e.g. cruise ship visitors, conference and meetings groups) to your store. Some retailers believe that signage is the most successful marketing tool they have, since it creates an image of their business, can be highly visible to passing travellers, and is a key factor in attracting attention and persuading potential customers to stop.
- **Parking:** If you provide on-site parking, make sure there is sufficient space for manoeuvring and that the parking area is well-lit if you plan to be open in the evening at all.
- **Landscaping:** If you have a suitable site, use landscaping (flowers and plantings) to help create an image and enhance the appeal of your store. You may also want to consider providing an exterior seating area for members of the family that aren't interested in shopping.
- **Window Displays:** Your window display needs to create a sense of arrival and entice customers to enter the store. It should be attractive, high quality, and imaginative and should feature eye-catching merchandise. Remember that, for the most part, your customers will not be buying necessities but will be making impulse, unplanned purchases, so the window display will need to persuade them that what you have to offer is of interest. Window displays should be neat and tidy and well lit, and you should only display merchandise that you have to sell. You should change your window displays on a regular basis. You may want to consider basing your window display around unique community themes or festivals and special events, so as to strengthen your connection to the community and its tourism sector.

Consider taking some formal instruction in window displays and merchandising techniques – this could be very valuable to you over the life of your business.

- **Theming:** You may want to consider theming both the exterior and interior of your store in a manner that fits with the type of merchandise you are selling, or with a story of interest in the local community or along some other lines. The most well known example of theming is the Disney Corporation, which has developed retail stores, resorts, and amusement parks all themed around characters from the Disney stories. If you decide to use a theme, then you can carry it throughout your store, your packaging, your logo and graphics, and your merchandise displays. Or, you can be more selective in your use of themed material.

## Interior Layout

The interior layout of your store is very important – a successful layout will increase sales. You need to make sure that there is space for good traffic flow and accessibility throughout the store. Customers need to be able to see around the entire store, and through to the back of the store – if views of the merchandise are blocked then it won't sell well. The decorating of the store, including colours and fixtures, must be complementary with your overall merchandise mix and retail concept. There are a variety of factors to consider:

- Overall Layout: In developing your overall layout, consider the following:
  - The location of doors and windows
  - The location of electrical outlets
  - How you want to group your merchandise and featured products

If you want to make your space look larger, try the following:

- Use mirrors to add depth to a room
- Take out the walls between rooms, to create fewer larger spaces
- Use lighter colours to make the space look larger

There are computer software programs that will let you develop and test layouts. If you don't have access to this, use a hand-drawn, scaled plan as a base for trying out different layouts of your displays, etc.

- Traffic Flow: The interior of your store needs to be laid out in such a way as to encourage an appropriate traffic flow, and so that it is easy to get around. You want to encourage customers to linger in the store and browse the merchandise, and you also want to focus customers' attention on specific types of merchandise. As well, you want to draw customers throughout the entire retail area so that they are exposed to all of the merchandise you have to offer.

If the front of your store is too crowded, then it will not be inviting and customers won't enter – so don't put too many obstacles near the front entrance. Place "teasers and tempters", merchandise that grabs a customer's attention, at the front of the store. Don't put items that will encourage customers to stop and browse, e.g. books and cards, in high traffic locations, and make sure the space is not too crowded. The layout should be designed to encourage a logical traffic flow and to help direct customer movement.

### *Some Tips for Interior Layout*

1. Place your higher quality merchandise in a focal area inside the store. Make sure that it is clearly visible to customers browsing the store, so as to encourage purchase decisions.
2. If you have slow selling merchandise, relocate it to your sales "hot spot". Remember that the first 1/3 of your store will be the most productive.
3. If you have a small store, put the cash register/sales desk near the entrance so you can keep an eye on things, and make sure that staff working on the sales desk will have a wide view of the retail space.



Your main aisles should be roughly 5½ feet wide, with secondary aisles at least 4 feet wide if you want to allow for two way traffic. Make sure you leave enough room in front of the cash register(s) for customers to be served. You also need to consider guidelines for providing access to the physically challenged; many of these requirements are incorporated in the building code.

You want to place your most popular merchandise (that generates the most sales) at the far end of the store, so that customers have to walk past other merchandise to get to it. Don't forget to make sure it is visible, however, or otherwise customers won't walk through the store!

It is important to create a sense of arrival, an experience, for customers who enter the store. Don't put high priced merchandise at the entrance to the store – it may scare away more budget-conscious customers. On the other hand, you don't want to put trashy joke/gift merchandise near the entrance either since this could scare away quality customers.

- **Equipment Needs:** The types of equipment you will need includes:
  - Counters
  - Display cases, shelves and tables
  - Floor stands
  - Racks
  - Shelving units
  - Storage cabinets
  - Cash register or point of sale computer system
- **Lighting:** Lighting is an important element in your overall interior design. You need to have an appropriate level of lighting but can use different types of lighting depending on the type of merchandise you are featuring. You will probably want a mixture of overhead lighting and accent or customized lighting, in addition to natural light from windows. Well designed, quality lighting can make merchandise look its best. You need to make sure that customers can see the merchandise clearly; you can use lighting to highlight specific products and to direct/guide customers to particular areas of your store.
- **Decor:** The decor of your store should complement your overall concept and image, and be appealing to your target markets. It should be exciting and interesting, and encourage customers to stay longer - the longer they stay, the more likely they are to spend money. Remember to make sure that your decor appeals to your markets. Consider getting some professional help with your interior decor if you don't have expertise and talent in this area.



### ***Display Tips to Increase Sales and Profits***

1. Create an ambience that captures the attention and imagination of your customers and encourages sales.
2. If you want to sell an item, put it in a prominent place at eye level. Also, put your top quality, more expensive, higher profit margin items at eye level.
3. Break the pattern of your display occasionally so that it does not get monotonous.
4. Use blocks of merchandise of a similar colour to attract the attention of your customers.
5. Place displays of small, impulse items conveniently beside the cash register.
6. Put merchandise with the highest profit margins in the location with the greatest visibility, where there is the most traffic and it can be given a high profile.
7. Create displays that encourage the involvement of the customer – touching, testing merchandise, etc. – if they get involved with the merchandise, they will be more likely to make a purchase.
8. If you sell seasonal merchandise, place it near the front of the store and move it around and/or change the display if it is not selling well. You don't want to get stuck carrying this all year.

• **Displays and Fixtures:** Your merchandise display areas have to be attractive, and the fixtures have to be appropriate to the type of merchandise you are featuring. The proper placement of merchandise on appropriate fixtures helps define your business and the theme of the store. You need to be creative, and have a strong sense of colour and aesthetics to create successful displays. Remember that your displays are the main way that you communicate with your customer.

You should try to keep related merchandise together in displays, and also to isolate your best selling items so as to give them some profile.

The fixtures have to complement your merchandise, not take over the store. They can help create an atmosphere or can be selected to "fade out" so that the merchandise stands out. You may need several different types of fixtures depending on your merchandise mix. Keep your fixtures flexible so that you can change them on a regular basis, and avoid an excessive use of props in your display areas.

To make sure that customers can see all of the merchandise you have available, don't put material too low or too high, or crowd it together.

• **Interior Signage:** You will need interior signage as well to encourage appropriate traffic flow and to point out featured merchandise. You will also want to use interior signage to highlight merchandise that is on sale. If your store is large, you may also need signs to identify the location of the check out. As well, you will need point-of-sale signs to provide information on the merchandise and prices.

- **Security Issues:** You should give careful consideration to security issues. Consider installing security/alarm system for after-hours, as well as systems to protect your business against shoplifting. Make sure your staff have a clear view of the entire store, and install two-way mirrors to improve their views if necessary. While these types of devices can help, your best protection against shoplifting is a well laid-out store and a well-trained, attentive staff. Place larger items in places where you don't have a clear view, not the smaller, easier to hide merchandise, which should be in clear view of your staff.

- **Back-of-the-House Area:** You also need to have sufficient storage and work space behind the scenes, out-of-sight of the customers.

This space will need to perform several functions, including:

- Receiving merchandise
- Shipping merchandise (returns as well as to customers)
- Pricing merchandise
- Storing inventory that is not on the shelves
- Storing fixtures and display shelves
- Administration

It is important that your store not look the same year after year. Even though you are catering primarily to a visitor market, there are a lot of repeat visitors to Nova Scotia from outside the province, and a lot of Nova Scotians travelling around the province on a regular basis. As well, local and regional residents will also be important markets for your store. So, you will want to change the store around periodically to "refresh" its image and create the perception that you are offering something new and different (whether you are or not).

## **6.5 Hiring Designers**

If you are building a new structure, or doing major renovations to an existing structure, it is strongly recommended that you hire professional design help. In fact, for these types of facilities, it will be essential that you do so in order to meet municipal and building code requirements. If you only need to do minor renovations or lay out an existing space, you may not need a designer, but it may be well worth your while to get some tips from an interior design professional.

If you do hire designers, make sure you hire someone with expertise and experience in the retail sector. There are a variety of design and layout techniques that are unique to the retail business and that can help to maximize the appeal of your retail store and, as a result, your sales. As such, this is specialized design work and not all designers are skilled in understanding the principles and practices that should be followed.

### **Whom do you hire and how do you hire them?**

If you are developing a new building, you should hire an architect to design it, one with the necessary specialized experience. He or she will prepare the building design and coordinate the work of other specialists who might be required. This might include interior designers, a landscape architect for site treatments, engineer, etc. The architect would function as the project manager for the design work.

If you are doing an interior layout with minimal structural work, you may only need an interior designer. Again, you should make sure that the designer you retain has relevant experience. A professional retail interior designer would be the best.

## **Selection of Designers**

We suggest that you not necessarily hire the first architect or interior designer to whom you talk. Ask around the retail stores and other businesses in your area to identify designers who are credible and experienced in the retail sector. If there are none or only one available locally, consider others further away who have the necessary expertise.

Contact several architects and/or interior designers and ask them to send you information on their company and its experience in the retail sector. Meet with those you think might qualify; see if the chemistry works for you; challenge them with your concept and capital budget and see what suggestions they make. Get some client references and check them out. Ask their clients whether their retail stores work well, whether their store layouts have lived up to expectations and find out if their projects were completed on budget.

Once you have developed a short list of possible designers, you should ask each to provide you with a detailed proposal, together with some initial thoughts on an overall approach and design concept. You may also want to interview the short-listed designers before making a final decision.

You should get your designer to help with the following:

- The layout of your store and flow of traffic within the store;
- Lighting;
- Security;
- Use of colours;
- Interior decor;
- Image and theming of the store;
- Accessibility issues;
- Developing efficient back-of-the-store space.



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## **SECTION 7**

***Legal, Regulatory and Tax Matters***



## SECTION 7

### LEGAL, REGULATORY, AND TAX MATTERS

*This section addresses legal, regulatory and tax matters concerned with the establishment of your tourism retail business. There are a multitude of laws and regulations that affect business and readers should note that the information contained herein is a guide only.*

*It is strongly suggested that the reader undertake efforts to verify any information on which their business plan is based and not rely solely on the information in this manual. There are areas where you may want to consider retaining the appropriate professional expertise to assist you.*

*While the information contained in this manual is believed to be accurate, as of the winter of 2005, it is not so warranted. The reader should note that federal, provincial and municipal laws and regulations change frequently and it is recommended that you check with the appropriate authorities, listed in the Appendix, including representatives of the Department of Tourism, Culture and Heritage and your local Business Service Centre (on line [www.gov.ns.ca/snsmr](http://www.gov.ns.ca/snsmr) or at Access Nova Scotia centres around the province), to obtain up-to-date information on these matters.*

#### 7.1 Regulations and Licensing

##### Municipal Regulations and Bylaws

One of the first steps in developing a business should be to contact your local municipal office and talk to the Development Officer and Building Inspector (often the same person).

Most municipalities assert control of development patterns through their Land Use Bylaws. For example, opening a tourism retail business on a quiet, narrow street in a residential area may be considered inappropriate because of the vehicle traffic it will generate. You will need to comply with the bylaw's requirements if your project involves changing the use of the land; for example, from a heritage home (a dwelling) to a retail business (a commercial use). In addition to permitting the development, land use bylaws may also provide for the number of off-street parking spaces required, setbacks from lot lines, size and location of signage, etc. In some heritage areas there may be architectural controls. All municipalities write their own land use bylaws to reflect the concerns of their community, and provisions can vary substantially from one municipality to the next. The Development Officer administers these by laws.

The building inspector ensures that new or renovated buildings meet several standards, the most significant of which is the Nova Scotia Building Code Regulations, part of the Building Code



Act and the Fire Prevention Act. A permit is always required for new construction and for major repairs and renovations, and for any structural additions or changes. The building inspector will require that plans be submitted for commercial or public buildings, and these plans must be stamped by an architect or professional engineer licensed in Nova Scotia. The applicant is responsible for submitting copies of the plans to the Fire Marshal's office (see discussion below), although this can sometimes be done through the building inspector's office or your architect may deal directly with the Fire Marshal's office on your behalf.

In addition, the building inspector may require approval from the Department of Transportation and Public Works for the location of any driveways (often a rural issue), and approval from the Department of the Environment and Labour if you develop a building that has an on-site well or sewage disposal system (see discussion below).

Municipalities now require professionals (e.g. architects, engineers and appropriate other professionals such as a structural or mechanical engineer) to not only stamp the construction drawings, but also to inspect the construction and to certify compliance with the drawings on completion of the construction. This will need to be done before an occupancy permit will be issued. In fact, the municipality will require the owner of the building to provide a letter of undertaking that they will retain professionals to do these inspections and provide the certification, when they (the owner) applies for the building permit. The municipality will also determine from which professionals (e.g. structural, mechanical or electrical engineer, architect, etc.) inspection and certification is needed. These requirements apply to renovations/additions and new facilities for most buildings, and for all public buildings.

Once final inspections are completed, an occupancy permit is issued and the facility is ready to open.

### **Architects Act and Engineers Act of Nova Scotia**

Plans and specifications for most buildings and developments will require professional services as legislated in the Architects Act and the Engineers Act of Nova Scotia. This means that your design and construction drawings will need to be stamped, i.e., approved, by professionals, as designated in these acts.

### **Fire Prevention and Fire Safety**

Under the Fire Prevention Act, no one can alter, construct, renovate, or reconstruct buildings intended for public occupancy until approval has been obtained from the Office of the Fire Marshal.

It is best to contact the Office of the Fire Marshal (Plans Examiner) during the design process rather than wait until you have completed the design work; in this way, you can make any necessary changes before your plans are finalized.

The Fire Marshal's office will review plans for any buildings and, where necessary, give fire safety advice. Once the plans are approved, they may not be altered without consent from the Fire Marshal's Office. (It should be mentioned here that the Fire Marshal will not conduct a pre-sale inspection of an existing property.) For renovations/alterations to existing buildings, approval takes approximately one month; for new facilities and larger projects, the building plans must be submitted to the Fire Marshal at least two months in advance of the planned start of construction.

Once construction or renovations are completed, the property must be inspected and final approval given by the Fire Marshal's Office. The Office of the Fire Marshal will conduct this inspection after the local municipality has issued the occupancy permit.

Nova Scotia Power Inc. issues permits and conducts inspections under the authority of the Department of Environment and Labour for new or renovated electrical systems in all facilities. An electrical permit is required before any electrical work can be carried out. (It is the responsibility of the contracted electrician to obtain the necessary electrical permits and arrange the inspection.)

If you plan on including a canteen or restaurant in your operations, there are additional fire safety requirements which apply to cooking systems. Primarily, the Office of the Fire Marshal will be concerned that you meet fire safety standards regarding the range hood and any fire protection equipment over cooking surfaces.

If you plan to operate a coffee shop rather than a canteen or restaurant, fire safety requirements may be less stringent.

## **Department of Environment and Labour**

As of October 2000, the Departments of Environment, Labour and a number of other regulatory agencies were combined to become the Nova Scotia Department of Environment and Labour with a mandate that encompasses a wide range of issues around the safety of people and property, a healthy environment, employment rights and consumer interests. The Department has a number of divisions dealing with different areas of interest. Check out their website ([www.gov.ns.ca/enla](http://www.gov.ns.ca/enla)) for an up-to-date list of these divisions and the regulations they handle

### Water and Sewage Systems

The design of water and sewage systems must be approved by the Department of Environment and Labour (Environmental and Natural Areas Management Division) and the Department must be consulted during the planning stage of your business. Inspections and approvals will also be required as these systems are installed.

#### *Water*

All water provided to guests from taps, faucets, fountains, or other sources is required to be potable and suitable for human consumption. Approval may be required from the Department of Environment and Labour to construct and operate a water system supplying water to the public.

If the facility is located in an area where there is a central municipal water system, then only the appropriate municipal regulations apply and the operator does not need to contact the Department of Environment and Labour for approval.

There are regulations that require regular testing of water that is available for public consumption. You should check with the Department of Environment and Labour for the regulations that apply to your business..

#### *Sewage System*

For properties that are not connected to a municipal sewage system, it will be necessary to obtain an approval to install an on-site sewage disposal system from the Department of Environment before constructing the facility.

In areas where central municipal sewage disposal systems exist, only municipal regulations apply and the operator does not need to contact the Department of Environment and Labour for an approval.

#### Other Regulations under the Department of Environment and Labour

The Department of Environment and Labour is also responsible for occupational health and safety, public safety, labour standards, as well as the Office of the Fire Marshal. The Department also administers acts and regulations pertaining to elevators and amusement devices. Specific regulations that would pertain to a tourism retail business include:

- Occupational Health and Safety Act that requires employers to adhere to operational and employee safety standards. A brief overview of this Act and the implications for business operations is provided below.
- Labour standards with respect to minimum wage, employee/employer rights, etc. A Fact Sheet providing general information on the Labour Standards Code is published on the Internet at [www.gov.ns.ca/enla/labstand/1stcode/](http://www.gov.ns.ca/enla/labstand/1stcode/) or you can contact the Labour Standards Division of the Department for more information.
- The Pay Equity Act is administered through the Labour Services Division of the Department of Environment and Labour. Pay equity means *equal pay for work of equal value* and is a concept that bases wages on the value of work performed, regardless of whether a man or woman is doing the job.
- Indoor Air Quality Regulations;
- First Aid Regulations. There is a Guide to First Aid Regulations available at [www.gov.ns.ca/enla/ohs/FirstAidGuide.pdf](http://www.gov.ns.ca/enla/ohs/FirstAidGuide.pdf)
- Workplace Hazardous Materials Information [WHMIS] Regulations. A guide to these regulations is available through the Environment and Labour website, Publications section, under Public Safety and Occupational Health and Safety.

- The Elevator and Lifts Act requires licensing and inspecting of elevator units by the Public Safety Office, Department of Environment and Labour, including lifts for physically challenged persons.
- The Steam Boiler and Pressure Vessels Act may apply to the facility depending upon the type and size of any steam boilers or pressure vessels utilized.

#### *The Nova Scotia Occupational Health and Safety Act*

The current Occupational Health and Safety Act became law in 1997, with some significant implications for businesses in Nova Scotia. The Act is comprised of some key elements as described below. It is administered by the Occupational Health and Safety Division, Department of Environment and Labour - information, including a "How to Guide" can be found at [www.gov.ns.ca/enla/ohs/](http://www.gov.ns.ca/enla/ohs/)

The **Internal Responsibility System** concept is the foundation of the Act and, simply stated, places the responsibility of workplace safety on all workplace parties. Workplace parties are defined as anyone connected with a particular workplace, including Employers, Contractors, Constructors, Employees, the Self-Employed, as well as Owners, Suppliers, Architects, Engineers, and Occupational Health and Safety Consultants. The Act states in some detail what the responsibilities (i.e. duties and precautions) of all workplace parties are.

The Act also provides employees with three basic rights. These are:

- **The Right to Know** - each employee is entitled to information on issues that affect the health and safety of the employee or that of another person in the workplace;
- **The Right to Refuse** - employees have the right to refuse unsafe or unhealthy work;
- **The Right to Participate** - employees can participate on health and safety committees or be an Occupational Health and Safety Representative, report unsafe conditions, and voice their concerns or opinions on any issue that affects their health and safety, or that of the workplace.

The Act states that a business employing five or more people on a regular basis is required to prepare a written **Occupational Health and Safety Policy** indicating that the employer is committed to occupational health and safety, and that the employer will co-operate with employees in striving to meet the goal of a safer and healthier workplace.

A business employing twenty or more people on a regular basis is required to establish and maintain a written **Occupational Health and Safety Program** including provisions for:

- The training and supervision of employees;
- The preparation of written work procedures relative to health and safety;
- The establishment of a Joint Occupational Health and Safety Committee or selection of a Health and Safety Representative, where one is required;

- The establishment of a hazard identification program and an accident/incident investigation system;
- The maintenance of records and statistics;
- The monitoring of the implementation and effectiveness of the program.

*It is recommended that you obtain a copy of the Occupational Health and Safety Act and any other regulations that may pertain to you.*

## **Department of Transportation and Public Works**

The Department of Transportation and Public Works has a number of regulations that govern the types of signs that can be erected particularly along controlled access highways. There are currently no signage programs in place that allow for signs promoting a tourism retail business to be located along controlled access highways. However, if your retail business is part of a larger tourism attraction, an accommodation or a restaurant, there may be some signage programs that might apply. Check with the Department of Transportation and Public Works for information.

There are no provincial policies in place, as of winter 2005, regarding the placement of advertising signage within the right-of-ways of secondary roads. However, there may well be municipal regulations regarding the placement of signage for your tourism retail business and you are advised to contact your local municipality regarding policies for advertising signage along public roadways.

You should also adopt a neighbour-friendly approach and seek permission of abutting landowners before placing any signs, as well as taking measures to avoid blocking existing traffic signage or impede sight-distances. Placing signage on utility poles is strongly discouraged as it presents safety issues for service and maintenance personnel.

### On-Premise Signage

Tourism operators wishing to place signs on their own premises should contact their local municipality for guidelines and regulations. As with other types of signs, operators should consider adopting a neighbour-friendly approach and consult with abutting landowners before placing of any signs.

For businesses located adjacent to provincial roads, there are regulations that apply to on-premise signage. Signs can only advertise business that is conducted on the premises; any new signs have to go either within 10 m of the main entrance point to the property (e.g. parking lot) or not further than 100 m from the main entrance to the building. Signs must be set back a minimum of 10 metres from the right of way for controlled access highways. Signs can be no larger than 28 square metres in area if there is only one business; if there is more than one business operating in the premises, the signs can be up to 51 square metres in size.

As with all regulations, those may change from time to time. You should check with the Department of Transportation and Public Works, as well as your local municipality, for up-to-date regulations affecting the type and placement of signs for your VIC.

## **Department of Agriculture and Fisheries**

If you are planning to include a canteen or other food service element associated with your retail store, you will be required to adhere to the Regulations Respecting Eating Establishments. These regulations require you to obtain a Food Establishment Permit from the Nova Scotia Department of Agriculture and Fisheries. The Department will be concerned with such matters as eating establishment design and layout, equipment, food preparation, maintenance, and sanitary facilities.

**Contact the Department of Agriculture and Fisheries ([www.gov.ns.ca/nsaf/](http://www.gov.ns.ca/nsaf/)) for further information on this issue or for a copy of the Regulations Respecting Eating Establishments.**

## **Hours of Operation**

The hours of operation for retail stores in Nova Scotia is governed by the Retail Business Uniform Closing Day Act, R.S., c. 402, s. 1. This Act defines a 'uniform closing day' as including: Boxing Day, Canada Day, Christmas Day, Good Friday, Labour Day, New Years Day, Thanksgiving Day, and Sunday.

The Act further indicates that selling or offering for sale or purchase by retail, as well as admitting the public to premises where retail business is carried on, is prohibited on the uniform closing days.

However, section 3 (2) of the Act provides some exceptions for certain retail activities, and further regulations presented by the Governor in Council concerning the Act have provided some further exemptions, ones that are particularly relevant for tourism related retail establishments. Namely, the Act and subsequent regulations define a list of retail establishments and/or selling activities that are allowed to operate on uniform closing days. Included in this list, and relevant to tourism related retail activities, are the following:

- The sale of maple sugar products;
- A store in which the principal business is the sale of handcrafts, souvenirs and similar articles, principally to tourists or travellers;
- An antique store;
- An art gallery.

You should talk to your legal counsel for advice on this matter, or refer directly to the Retail Business Uniform Closing Day Act and subsequent regulations for a more complete listing of the retail businesses for which the Act does not apply. The regulations can be found on the Internet at [www.gov.ns.ca/just/regulations/regs/rbusday.htm](http://www.gov.ns.ca/just/regulations/regs/rbusday.htm)

We recommend you also contact your local municipality be contacted regarding any bylaws that may impact the hours of operation for a tourism retail business in your community.



## **7.2 Personal Information Protection and Electronic Documents Act**

In January 2004, the federal government implemented the Personal Information Protection and Electronic Documents Act (PIPED). This piece of legislation is applicable to all organizations, including all private sector businesses and outlines the responsibilities of an organization relating to personal information collected and stored through the course of normal business activities.

The primary purpose of the Act is to ensure that the privacy of individual consumers is respected in that any personal information, including that relating to age, name, income, social status and credit records; is used for legitimate commercial purposes only and is stored or maintained in a secure fashion.

Following is a basic overview of PIPED<sup>3</sup>:

- If your business wants to collect, use or disclose personal information about people, you need their consent, except in a few specific and limited circumstances.
- You can use or disclose people's personal information only for the purpose for which they gave consent.
- Even with consent, you have to limit collection, use and disclosure to purposes that a reasonable person would consider appropriate under the circumstances.
- Individuals have the right to see the personal information that your business holds about them, and to correct any inaccuracies.
- There's oversight, through the Privacy Commissioner of Canada, to ensure that the law is respected, and redress if people's rights are violated.

It is recommended that organizations develop in-house policies and procedures relating to the retention of personal information. Many businesses have now taken steps to include their privacy policy in their company literature and have it prominently displayed on company brochures, websites, etc.

The Office of the Privacy Commissioner has an online guide to PIPED and a number of fact sheets for businesses available through their website, which can be viewed at <http://www.privcom.gc.ca>; or by contacting the Office of the Privacy Commissioner of Canada at 1-800-282-1376.

## **7.3 Taxes**

### **Harmonized Sales Tax**

The harmonized sales tax (HST) is a 15% value-added tax which replaces the former retail sales tax and goods and services tax (GST) in Nova Scotia. As a retail operator, you are required to charge the HST on all items sold including souvenirs, crafts, etc., with the exclusion of books which are taxable only at the 7% Goods and Services Tax (GST). You are not required to collect

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<sup>3</sup> See: [http://privcom.gc.ca/information/guide\\_e.asp](http://privcom.gc.ca/information/guide_e.asp)



the HST on these items unless your sales revenues are in excess of \$30,000 in a 12-month period. As with other types of businesses, however, retailers may also voluntarily register for and collect HST. The advantage of doing this is that you can claim a credit (called an input tax credit) to recover the HST you paid on inventory purchased for resale, and other expenses used for the business.

If you purchase inventory items for resale from provinces outside Nova Scotia, you still pay the HST on these items as goods delivered to Nova Scotia are subject to HST. As mentioned above, the HST you pay on these items is fully refundable as an input tax credit.

When you register for the HST you are given a reporting schedule to follow for your HST returns, depending on the volume of your tour business. When you complete your return, you deduct all your input tax credits from the HST you charged on your tour sales. You are required to remit the difference if the HST you collect is more than your credits; if your credits exceed your payables, you claim an HST refund.

**If you need to register for the HST, contact the Canada Revenue Agency either in person, via phone (1-800-959-5525), mail or through the on-line business registry at [www.businessregistration-inscriptionentreprise.gc.ca](http://www.businessregistration-inscriptionentreprise.gc.ca)**

#### HST Rebates for Visitors from Outside Nova Scotia and Canada

Non-resident visitors (non-Canadian) are eligible for an HST rebate on goods purchased at your store and removed from Canada. Retail operators are encouraged to have the necessary rebate forms for customers available. Visitors must have a minimum of \$200 in eligible receipts before this rebate can be applied, and each eligible receipt must be at least \$50.

Similarly, a Canadian (non-Nova Scotian) visitor may get a rebate on the provincial 8% portion of the HST, but only if the visitor can demonstrate that they have paid the appropriate retail sales tax for the item in their home province.

#### Shipping Goods Outside Nova Scotia

If you ship retail items to customers within Canada but outside Nova Scotia (to provinces other than New Brunswick or Newfoundland), you will only have to charge the 7% Goods and Services Tax (GST), since these provinces have not harmonized their sales taxes. If you ship to New Brunswick or Newfoundland, however, you must still charge the HST.

Goods shipped to customers outside Canada are zero-rated and thus no tax needs to be charged.

### **Employment Taxes**

As an employer, you are responsible for deducting income tax, Canada Pension Plan (CPP) contributions, and Employment Insurance (EI) premiums from the wages and salaries you pay your employees. You are also responsible for remitting these amounts on a monthly basis to the Receiver General for Canada, along with your share of CPP contributions and EI premiums that you pay throughout the year on your employees' behalf. You are also required to report these amounts on an annual information return and prepare annual T4 information slips for your employees.

The Canada Revenue Agency is responsible for ensuring these requirements are met. The department handles enforcement and some collection activities related to payroll deductions, prepares the Payroll Deduction Tables used by employers for calculating deductions, and determines employee insurable earnings for Employment Insurance and pensionable employment for the Canada Pension Plan.

**Contact your local Canada Revenue Agency office for more information and a New Employer kit.**

## **Corporate Income Tax**

### Corporations

If your business is federally or provincially incorporated, you must file a corporate income tax return. This requirement also applies to incorporated not-for-profit organizations; the only exception is a Registered Charity.

Be sure to file your corporate income tax return within six months of the end of the taxation year. The taxation year of a corporation coincides with its fiscal year. The services of an accountant are recommended in completing your income tax return as financial statements are required to be attached to the T-2 Corporate Return. You can obtain a copy of the T2 Corporation Income Tax Guide and schedules from the Canada Revenue Agency.

Corporations are required to pay monthly installments to cover Corporation Income Tax in the 2<sup>nd</sup> year of operation and all following years if their federal taxes exceed \$1,000.

### Sole Proprietorships and Partnerships

The income from a sole proprietorship or partnership is accounted for on the personal income tax of the individual proprietor or partner. Your taxable income is essentially your business income minus any eligible business deductions. A separate Partnership return is required if there are more than five partners in the partnership.

**For additional information or Income Tax forms, contact the Business Window of Revenue Canada.**

## **Business Occupancy Tax**

Occupancy tax is an annual municipal tax that is administered and collected by your local municipality. The tax is charged on nearly all commercial buildings in Nova Scotia, and is applied at a fixed percentage based on the assessed value of a building, taking into consideration the commercial value of the building (based on the value of the building and its rent per square foot), and the assessment rate which applies to a particular type of business. The provincial Assessment Division (Service Nova Scotia and Municipal Relations) is responsible for determining the assessment value of your property for occupancy tax purposes.

There are plans to introduce legislation in the Spring of 2005 to eliminate the Business Occupancy Tax in Nova Scotia.

Contact your local municipal tax office or the Assessment Division of Service Nova Scotia and Municipal Relations with enquiries regarding occupancy tax.

## **7.4 Other Regulatory Issues**

### **Nova Scotia Workers' Compensation**

Under the Nova Scotia Workers' Compensation Act, various industries are mandated to pay for compensation coverage to protect employees from income loss and medical expenses resulting from job-related injuries. Under the Act, you are required to pay a premium based on the dollar value of wages you pay your employees, unless you employ less than three employees. (If you employ three employees or less, you are exempt from this regulation.)

Contact the Nova Scotia Workers' Compensation Board ([www.wcb.ns.ca](http://www.wcb.ns.ca)) for additional information regarding the specific premiums applicable to you and a copy of the registration form.

### **Competition Act**

Under the Competition Act, it is a criminal offence to engage in certain kinds of deceptive marketing practices, including inflating regular price, and conducting misleading or false advertising. The act applies to all businesses in Canada and is enforced by the Competition Bureau of Industry Canada.

## **7.5 Registration of Companies**

### **Provincial Business Registration**

All business owners are required to register the name of their business with the Registry of Joint Stocks, although the manner of doing this varies depending on the type of business structure established. Appendix IV provides comments on different types of business structures and the advantages and disadvantages of each. The Nova Scotia Business Registry is now available on line at [www.gov.ns.ca/snsmr/nsbr/](http://www.gov.ns.ca/snsmr/nsbr/)

#### Sole Proprietorships and Partnerships

The Partnership and Business Names Registration Act, administered by the Nova Scotia Registry of Joint Stock Companies, requires the registration of sole proprietorships and partnerships in the province.

If a partnership has two or more partners, or if one partner lives outside the province, the partnership must appoint a recognized agent who is a resident of Nova Scotia. One of the partners may be the agent.

An annual registration fee is charged. The registration year runs from April 1 to the following March 31. In addition, there is a charge for conducting a **NUANS** (Newly Updated Automated Name Search) to verify that your business name is not already being used by another business in

Atlantic Canada. A NUANS search may be ordered through the Registry of Joint Stock Companies, Access Nova Scotia, or a private research house.

The registered name of the partnership or sole proprietorship will be protected and no identical or similar name will be permitted in Nova Scotia.

**For further information, contact the Registry of Joint Stock Companies at**

[www.gov.ns.ca/snsmr/rjsc/](http://www.gov.ns.ca/snsmr/rjsc/)

### Corporations

Corporations are required to be registered in Nova Scotia under the Corporations Registration Act. If you wish to establish a Nova Scotia corporation, the first step is to request a NUANS of your corporate name to verify that it is not already being used in Atlantic Canada. A fee is required for each NUANS request. Incorporated companies are required to include the corporate designation Limited or Incorporated as the last word in the business name.

Once your business name and incorporation has been approved, you are required to pay an annual fee to register the business in Nova Scotia. The registered name of your corporation will be protected and no identical or similar name will be permitted in Nova Scotia. Every incorporated business must appoint a recognized agent who is the person that receives official correspondence. This Agent does not have to be a lawyer but he/she must reside in Nova Scotia.

All business registrations can be completed on line through the Nova Scotia Business Registry ([www.gov.ns.ca/snsmr/nsbr/](http://www.gov.ns.ca/snsmr/nsbr/)), via phone (1-800-225-8227) or in person at any Access Nova Scotia location.

## **Federal Business Registration**

### Sole Proprietorships and Partnerships

There is no business registration for partnerships or sole proprietorships at the federal level. Businesses wishing to operate in more than one province must be provincially registered in each province in which they wish to conduct business.

### Canada Corporations

If you are considering incorporation, you have the option of being incorporated at the Federal level under the Canada Business Corporations Act (CBCA). This replaces the need for provincial incorporation.

Federal incorporation is often chosen for the heightened name protection it provides and may be particularly useful to you if you plan to carry on business in more than one province. Location flexibility is another advantage of federal incorporation. For example, the CBCA does not set restrictions regarding the province where your head office is located. However, you may still be required to register with provinces where extra-provincial operations will be carried out. For Nova Scotia, this can be done at the same time as your Federal incorporation is completed on-line.

As with provincial corporate registration, you are required to have a name search conducted (NUANS) and pay an annual corporate registration fee. Your business must be registered to do business in Nova Scotia, even if it is a federal corporation.

**Contact Corporations Canada ([www.coprorationscanada.ic.gc.ca](http://www.coprorationscanada.ic.gc.ca)), or the Canada/Nova Scotia Business Service Centre for incorporation and registration information.**

## **Business Number Registration**

The federal government business numbering system, or BN, is a numbering system designed to simplify the way businesses deal with government. When you start a business and open one or more Canada Revenue Agency (CRA) business accounts (e.g., corporate income tax account, payroll deductions account, or harmonized sales tax /goods and services tax (HST/GST) account), you will automatically be assigned a unique Business Number which identifies you and the various accounts you have. This streamlined system allots your business one number only with which to deal with the federal government, replacing the multiple numbers that businesses required in the past. You can register for a BN on line at [www.cra-rc.gc.ca/business](http://www.cra-rc.gc.ca/business).

Businesses that register for the BN will obtain one-stop business services from the Canada Revenue Agency, including new business registration, adding new accounts, updating account information, and account enquiries.

In most cases, new corporations will automatically receive a BN from CRA within 45 days of incorporating at the federal or provincial level. Contact CRA if you need to have a Business Number issued to you before this time.

**Contact the Canada Revenue Agency for a copy of the registration application form and guide or register on line.** You may also register by phone, in person, by mail, or by fax. (If you are a corporation, your company must be registered and you must also provide a copy of your Certificate of Incorporation to be registered for a Business Number.)

## **7.6 Insurance**

All retail businesses should carry insurance, regardless of the size of their operation. Here are the main types of insurance you should be aware of:

- Property or Fire Protection Insurance is the most basic form of insurance. It protects property and buildings in case of fire. This type of insurance is usually required by your lender in order to secure a mortgage for your property.
- General Liability Insurance is insurance to cover claims made against your business for such things as bodily injury occurring on your property. This insurance is commonly known as third-person liability insurance.
- Stock Coverage is protection for goods for resale (e.g., crafts, clothing, gift ware) you hold in inventory during the course of conducting your business.
- Business Protection Insurance is loss-of-income protection. Such insurance protects your business from a loss of business revenue if, for example, your property had to close for a few months as a result of a fire.

- Crime Coverage is a type of insurance which protects your business from losses resulting from employee infidelity or theft. This type of coverage can be particularly important for retail outlets where theft of money or items can sometimes occur.
- Robbery and Holdup Protection will cover you in the event of a robbery. This type of insurance can be particularly important if your business has a significant amount of cash on hand at any time.

The insurance premiums you pay per year will depend upon the specific types and levels of coverage you need. Talk to an insurance agency regarding the specific amount and types of insurance you should carry. Membership organizations such as the Tourism Industry Association of Nova Scotia (TIANS) or the Retail Council of Canada may be able to provide you with access to cheaper group insurance rates than those which you could obtain on your own.

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## **SECTION 8**

*Operations*





## SECTION 8

### OPERATIONS

You have so far developed a concept and strategic plan for the tourism retail business, assessed its feasibility, and designed the store, based on a full appreciation of the marketplace and the competition. You have also established the business organization and arranged its financing. This section presents suggestions and guidelines for operations.

#### 8.1 Organization and Staffing

##### Management and Staffing

You will need to figure out your management and staffing requirements. The areas of management that will have to be covered include:

- **General management:** banking, planning, budgeting, overall supervision of the business and the key areas of operation described below;
- **Marketing:** advertising, sales, promotions, co-op and contra activities, market research;
- **Merchandise Buying:** identifying types and sources of merchandise, negotiating with vendors, purchasing;
- **Sales Supervision:** training and overseeing staff in their sales efforts;
- **Inventory Control:** receiving inventory, pricing, stocking, reordering;
- **Financial Control and Accounting:** bookkeeping, management reports, tax remittances, payroll, and collections;
- **Use of Technology:** Point of sale systems, computerized accounting systems;
- **Human Resource Management:** staff hiring and training; ongoing human resource management;

Larger operations may have departments for each of these activities. Small ones will combine them. For example, in a smaller retail business the owner/manager would supervise all areas directly, with employees hired as sales staff and to assist with other functions such as administration, bookkeeping, and inventory control.

Keep your staff, particularly the management team, small initially; you can always add more people if you really need them, but it is much harder to downsize if you have too many.

Your staffing needs will evolve as the business develops. Once you have been in business for a few years, you will be able to determine your staff needs for the season/year based on your experience from the previous year.

The customer service and sales skills of your staff will have a large impact on the success of your business. It is essential, therefore, that your staff be well trained and have a strong customer service orientation.

### Hiring Tips

The following is a list of hiring tips which can be applied to staffing during business start-up or when hiring seasonal or replacement staff:

- Develop job descriptions that clearly set out roles, authority, responsibility and accountability for performance, and are based on the occupational standards for each occupation, where they exist;
- Advertise for staff in local media; contact the nearest Canada Employment Centre; ask around the community; draw on your personal contacts to identify people who may be appropriate. To the extent possible, look for applicants who have some background in customer service, and in sales;
- Screen applications and develop a short list of qualified candidates for interviewing;
- Interview applicants. It is recommended that the same list of questions be asked of all applicants, and that consistent criteria be used in your evaluations. This will help you make sound hiring decisions;
- Select final candidates for the positions required. Ask for and always check references. The middle of the season is no time to discover that a staff member's poor performance had been experienced by an earlier employer;
- Make the job offer. At this time, clarify roles and responsibilities, training opportunities for staff, performance expectations, remuneration and benefits, terms of employment for the season, etc.

The employees you select don't necessarily need to have previous retail experience. You will likely find that it is more important that they have the right personality for a sales position, as well as some experience in dealing with customers. Attitude is key – an upbeat, friendly and outgoing character and a true liking of people are important. Basic math skills, and "people" skills are important, and you need staff that are articulate and well-informed. In a small business, it will also be important that the people you hire fit in with the "team" – if the staff work well together and enjoy working in the business, it will be apparent to customers and come through in the level of customer service provided.

You will likely find that you need a mixture of full-time and part-time staff in your tourism retail business, given the operating hours that will be necessary to cater to your markets.

## **8.2 *emerit Standards and Certification***

Nova Scotia's Tourism Human Resource Council is a partner with the Canadian Tourism Human Resource Council in the development of National Occupational Standards and manages the process for Nova Scotia. Standards and Certification are being developed for occupations in all sectors of the tourism industry, and standards currently exist for approximately 50 occupations.

Standards are statements outlining the attitude, knowledge and skills required of an individual in order to be considered competent in an occupation. Standards clarify expectations and can be used to design consistent training, education and professional development programs. The Standards development process involves the sharing of expertise from industry professionals who perform the job, as well as their supervisors who are recruited to develop the content of the standards.

Certification is the recognition of an individual's competency in his or her occupation. National Certification is a three-step process involving a written examination, performance review and industry evaluation. It is voluntary, candidate driven and designed to be completed on the job. Professionals who achieve National Certification will be recognized across the country for meeting industry requirements in their selected occupation. The candidate must be employed in the occupation and must have achieved a minimum number of hours of work experience (the number of hours varies depending on the occupation), prior to completing Certification.

Flexible learning options for the industry now allow new entrants to gain a solid foundation while experienced and knowledgeable candidates can challenge the option that best suits their needs. What each candidate learns is credited towards future learning - creating recognition of prior learning and allowing candidates to move towards the pinnacle - **emerit** National Certification - at their own pace.

Learners can select the best option for them:

- Standard/Workbook study
- On line learning
- Study selected modules to enhance performance of specific skills
- Challenge full certification

The development of Standards and the implementation of Certification is having various positive impacts on the tourism industry, as follows:

- Enhancing the image of tourism occupations;
- Enhancing human resource management skills in the tourism industry;
- Providing practical, realistic training programs for tourism occupations; and
- Raising the overall level of professionalism in the industry.

More details on Standards and Certification, and a listing of the occupations for which standards have been developed can be found in Appendix V. Additional information on human resource tools and certification can be obtained from the Nova Scotia Tourism Human Resource Council ([www.tourismhrc.com](http://www.tourismhrc.com) )

### **8.3 Training**

It is important to recognize the benefits of staff training and to consider training, like marketing, to be an investment. Ensuring that your customer service staff are quality service providers who are capable of delivering both the procedural and personal sides of service in a professional and hospitable manner will increase sales, enhance repeat business and promote word of mouth advertising. The benefits of training are as follows:

- Increases productivity;
- Improves sales performance;
- Reduces staff turnover;
- Improves staff morale;
- Improves customer service;
- Improves quality of performance;
- Enhances clients' experiences;
- Provides competitive edge.

Seasonal staff training can take the form of on-the-job training or job shadowing, or formal training, on or off-site. Experienced staff will benefit from spring refresher training, and a good orientation program is a priority for all staff at the beginning of the season. Training should be based on the occupational performance standards, where available, and Certification should be a goal for all employees.

Most training for new personnel in a tourism retail business is carried out on the job, starting with an orientation. The orientation should include the following components:

- Provide information about the company, e.g. mission statement, organizational structure, policies and procedures, and service standards;
- Introduce new staff to co-workers;
- Complete employment documentation;
- Making sure staff are knowledgeable about the local tourism industry and are able to help visitors with related questions;

You will also need to provide your staff with some specialized training on selling techniques, information on your point of sale system, on security procedures and on handling your merchandise. It will also be important that your staff have some knowledge about the merchandise that you are selling in your store. In this respect, it would be very valuable to get your staff out to some shows to meet wholesalers and/or the crafts people themselves so that they are able to give your customers firsthand information on the merchandise that you are selling.

Since a tourism retail business, by its nature, caters primarily to visitors to the area, it is vitally important that your staff are also knowledgeable about the local area and the things for visitors to do and see, since they will frequently be asked questions about these types of things. Your training needs to include making staff of aware of local events, and general tourism information such as where to stay and where to eat.

Creating a team atmosphere within your retail business will definitely have a positive impact on your sales. You need to make sure that your staff know how important they are to the overall success of the business, and that everyone needs to pitch in to get the job done. You also need to make sure that your staff know that providing a quality customer experience is of paramount importance, and that their job is a lot more than sales and stocking shelves.

Your staff will need to be flexible and adaptable since they are likely to be asked to perform several different tasks.

You may want to consider a combination of a base pay rate along with an incentive system so as to ensure that staff are aware of their value to your business and are motivated to make sales.

## **Sales Training**

You should ensure that all of your staff have training in effective sales techniques. Their training should include the basics of how to approach the customer, identify their needs and ask for the sale. In order for your staff to be effective at sales, it is important that they really know the product – make sure that they have detailed knowledge of the products in the store. Some of the other key principles of effective selling are:

- Know your prospects and their needs;
- Know the competition;
- Get to the point quickly. Do not waste too much time making conversation unless a prospective customer makes it clear that they want to chat;
- Show respect and courtesy, and make your prospective customers feel important;
- Listen...listen...listen. Most successful salespeople agree that prospects prefer to buy rather than be sold. When a prospect wants to talk, keep quiet and listen. The prospect may be selling themselves;
- Always ask for the sale. You should not leave it to your prospective customer to make an offer to buy.

## **Customer Service Training**

Customer service training programs have been shown to be beneficial to staff; and holding a pre-season seminar on customer service will help motivate staff as they prepare for the upcoming season.

An example of a customer service training program is SuperHost. SuperHost is an internationally recognized Quality Customer Service Training Program that focuses on communication and customer service. This seven-hour interactive workshop examines attitudes to service and interactions with customers. The program is suitable for any business that deals with customers and is an inspiration for commitment to service excellence. In Nova Scotia, the basic SuperHost program has now been expanded to incorporate several other Service Excellence programs, including:

- Service Excellence Japan (understanding the expectations of the Japanese visitor);
- Team Excellence (recognize your Team's effects on customer loyalty);
- Managing Service Excellence;
- Service 1<sup>st</sup> - Making the Connection

Information on SuperHost can be accessed through the Nova Scotia Tourism Human Resource Council.

You could, instead, develop and deliver your own customer service training sessions or hire an outside person or organization to do it for you. Training resource materials can be found through the Nova Scotia Tourism Human Resource Council.



You may also want to consider some basic language training in French and perhaps also German, as Nova Scotia is receiving an increasing number of visitors from Québec, as well as from Europe.

## **8.4 Pricing Strategies**

The nature and characteristics of your customers, your business concept and your merchandise mix will all be key factors in your pricing strategy. The most basic strategy to decide on is the extent to which price will be used as a tool to attract customers to your store. You can use a low price/high volume approach to your retail business, using bargain prices as a primary tool for attracting business. However, for a tourism retail business where you do not have many opportunities to let potential customers know about your good prices, this may not be the best approach. As such, price will probably be less of an issue in your overall marketing strategy.

It is essential that you maintain your gross margins so as to provide sufficient monies to cover your operating costs and generate a profit. As well, you want to have a mix of price points in your store so that markets at all levels can afford to buy something.

The most common approach is known as "keystone" markup or pricing for a 50% gross margin. At the same time, you have to pay attention to the perceived value of the different types of merchandise you are selling – you can't double the mark-up on some items and only have a very small mark-up on others because customers will perceive that you are not offering good value. Different products will have different mark-up values. For example, the mark-up value for confectionary and also for books is usually 40%, whereas for other merchandise it is in the 50% - 75% range.

You also need to consider the competitive factor in pricing your merchandise. To be a successful retailer in a competitive market, you must check out the prices being charged by your competition – you can be sure that many of your customers will!

You also have to factor in other variables, such as a high level of pilferage on some items, or the costs associated with providing boxes or custom packaging for some types of merchandise. Don't forget to plan for merchant credit and debit card charges, as well as shipping costs.

If you are located in a highly competitive or price-sensitive marketplace and you have to have lower prices in order to compete, then you will either have to negotiate better prices from your suppliers, or you will have to change your merchandise mix so as to maintain your gross margin at appropriate levels.

## **8.5 Budgeting and Review <sup>4</sup>**

You should always develop an annual budget for the operation of your retail business. There are several methods you can use, as follows:

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<sup>4</sup> This material was adapted from the Nova Scotia HUB and SPOKE Tourism Marketing Seminar Manual, prepared for the Nova Scotia Tourism RITC by The Economic Planning Group and Hospitality Marketing, 1989/90.



## **Zero-Based Budgeting**

Zero-based budgeting is also known as bottom-up budgeting because one builds the budget from scratch. Activity by activity is addressed, reassessed, examined, and justified. Each of the elements of the operation is examined separately. Budgets are then assigned to each activity. In this way, a cost-benefit analysis is built into the budgeting process.

## **Percentage of Sales Budgeting**

A method long used to establish many elements of budgets is the percentage of sales method. Many retail businesses allocate percentages of gross sales for various cost items, based on historical data and/or industry norms.

This method of budgeting is relatively easy and doesn't require a lot of "input." On the down side, however, are more than enough problems to place the percentage concept into some disrepute. Industry averages can be misleading. Different companies do their accounting in different ways, and all businesses are different to varying degrees, and who is to say whether the average performance of other businesses is a good yardstick to measure your own business?

## **Which to Use?**

You may end up using a mixture of these approaches. The first one is the best. Whatever the case, you should do a budget on an annual basis, at least, and since you are most likely to be a seasonal business, you should do a monthly budget during your operating season and another for the rest of the year.

You must review your actual revenues and expenses against the budget on a regular basis (weekly or monthly) and take corrective action where necessary. Also, make sure you amend your budget if your actual experience suggests that adjustments are warranted.

When developing your budget, you should identify a series of performance measures/ratios so that you can compare your performance to budget on a year-to-date basis. These ratios should include:

- Turnover ratios for different categories of merchandise;
- Sales ratios:
  - Average sale per transaction
  - Average sale per day, week, month, year to date
  - Comparisons to the same period for the previous two to three years
- Gross margin;
- Selling cost ratio - labour and benefits as a percentage of gross sales;
- Operating cost ratio - total operating costs (including cost of goods sold and all other operating costs) as a percentage of gross sales.

## **8.6 Records, Inventory and Controls**

### **Records**

An essential element of managing your tourism retail business will be to maintain and use appropriate records. You should keep detailed sales record so that you can track year to date sales activity, month to month comparisons and day to day activity. As well, you should keep track of your weekly and monthly costs and compare sales and costs on a frequent and regular basis so that you know how the business is doing. For many tourism retail businesses, the window of opportunity to generate revenue is limited; this makes it even more important that you keep on top of these things. If you don't find out until mid-August that you have been losing money since you opened the doors in May, you have very little time left to make adjustments to your costs or to get more aggressive in your sales efforts.

You should set up a good record keeping system before the store opens, because you won't have time once you start operating. You should track information about your inventory, sales, receipts and disbursements.

You could use manual systems, such as daily sales slips and cash register tapes and develop a manual inventory control system. The manual approach can work well for very small retail businesses, as long as you and your staff stay on top of the paper work.

However, with today's technology the use of a computerized point of sales systems is strongly recommended. These systems are becoming much cheaper to purchase and much easier to use. You should carefully explore the costs/benefits of a manual system and a computerized system before deciding which is most appropriate for your business.

### Point of Sales Systems

Point of sales systems can provide you a wide range of detailed records on all aspects of your retail business. They can tell you such things as the average number of sales, the average transaction value, the best selling products and the preferred method of payment by your customers, on a daily, weekly, monthly basis with comparisons to any other periods. They can be connected with your purchasing system and with your inventory control system, and even generate orders for you. In fact, in larger retail businesses, point of sale systems are directly linked to vendors' systems and automatically create orders when stocks of various items fall below a certain level.

If you are planning to buy a point of sales system, you need to clearly identify your requirements before you start shopping. You can get a very simple, basic system or one that is very complex, and you need a clear understanding of what you are looking for before you seek out price quotations. Do some background research first – go to trade shows, collect literature on different systems and their features and develop a list of requirements that fit your business. Identify potential vendors, provide them with a written description of your requirements and ask them to provide you with a quotation. The reliability of the vendor is critical so get references from them and check them out carefully. Make sure that you get technical support, training and help with the initial set-up of your system included in your price quotations. Depending on the extent of your requirements and your comfort level with technology, you may want to consider retaining some outside help to assess your requirements and deal with the vendors.

Once you get your point of sale system installed, make sure that you have it up and running for a couple of weeks before "going live". This will give you a chance to make sure all of your staff are fully familiar with the system and to work out any "bugs". You should identify one person in the store to be the contact for the point of sale system, and provide additional, more extensive training for this person.

If you introduce a computerized point of sale system during your operating season, it would be a good idea to operate your old, manual system in parallel for the remainder of the season, just in case you run into technical problems with the new system.

## **Inventory Management**

Managing and controlling your inventory is another essential in the retail business. You need to keep your inventory current, up-to-date and with a high turnover. Stock sitting in inventory not only costs you money but there are associated costs such as the cost of storing inventory, keeping inventory control records, etc. You must have a system for inventory management, either a manual one or a computerized one.

A key part of inventory management is deciding what you need to order when. This is usually based on what merchandise you have in the store, what is selling and has been sold, and what is currently on order, in combination with what level of sales you expect for the subsequent period. If you are running a seasonal tourism retail business, then you also need to consider how close you are to the end of the season, since you don't want to have inventory sitting around all winter and you don't want to have to discount prices too heavily in order to move the merchandise before you close.

Your system doesn't need to be complex, but you do need to be able to quickly assess these factors so as to decide what you need to order.

A measure of the efficiency of your inventory management system is stock turnover or how many times your average stock investment is sold within a year. There are typical stock turnover guidelines for different types of merchandise, but, in general, you should be able to turnover your inventory 3 - 5 times a year. The challenge is to make sure that you don't have slow moving merchandise sitting on your shelves for long periods of time, taking up space that could be used by merchandise that sells well. In particular, you can't afford slow turnover on low margin items.

If this happens, then you need to look at techniques for moving the merchandise that is not selling. This may mean changing your merchandise displays and relocating the poor selling products to a higher profile location in the store, or strengthening the displays associated with this merchandise. If these techniques don't work, then you should consider having a sale or clearance with discounted prices to get rid of the merchandise that isn't selling well. In fact, seasonal or semi-annual sales can be very beneficial to the overall health of your merchandise. If you are operating a seasonal business, you may want to consider a sale as you approach the end of your season so that you can minimize the amount of inventory you have to carry through the winter.

Another element of inventory control is to keep an eye on what is selling and what is not. If you have a product that is not selling, or not selling as well as you would like, try to determine why.

Is it in a poor location in the store? Does the display need redoing? You should assess these issues on a continual basis, and make sure you talk to the staff about what is moving and what isn't. Again, a sale or discounting of those items that aren't selling well may be what is needed.

When discounting your prices for a sale, keep in mind the gross margins associated with each type of merchandise. You will probably be able to afford a higher discount on some types of merchandise than on others, depending on what the gross margin is.

Your staff can also help keep track of what items you are running low on, if you do not have a computerized point of sale/inventory control system.

You should also have a receiving system in place to check the merchandise once it comes in to the store. If it is not good quality or is broken or damaged, it should be sent back to the supplier immediately. Each supplier will have their own "request for credit" and "damage claim" rules. Merchandise that is acceptable should be dated and priced as soon as it arrives.

### **Cash Flow Management**

One of the most important controls/systems that you need to have in place is one for cash flow management. Managing your cash flow is critical to the success of your retail tourism business and you must have systems in place to generate monthly operating statements as well as projected monthly cash flow statements. Again, you should work with your accountant to establish a cash flow management system and a statement format that provides you with the information you need to manage your business.

If you are operating a seasonal tourism retail business, then cash flow management becomes even more important. You need to make sure that the business has enough cash on hand to cover its expenses during that period of the year when there is no revenue coming in.

If you have a computerized point of sale system, then it can be linked into your accounting system to help generate the information that you need to keep on top of your cash flow as well as your inventory.

#### ***Tips for Deterring Shoplifting***

1. Have your staff greet all the customers who come into the store. Make eye contact and acknowledge their presence.
2. Ask customers with large bags to leave them at the cash desk – suggest that it will be easier for them to move around the store if they aren't carrying a large bag.
3. Have one or two staff "floating" around the store to keep an eye on things.
4. Locate large items that are not easily removed in areas that you can't see clearly; place small items in highly visible locations.
5. Consider hanging displays, and wall racks which cannot be easily reached.
6. Move displays around if you think you are losing too much of one item.
7. Keep in touch with other local retailers to share information on potential shoplifters.

## **Other Controls**

Security equipment was mentioned in the previous section, but there are also a range of operational policies/controls that can be implemented to deter shoplifting. Some suggestions are presented in the box.

## **8.7 Business Systems**

You will need a basic accounting system. Manual systems are very affordable; or you may find it easier to contract your bookkeeping and accounting to a local accountant or bookkeeping service. Affordable micro computer software is now available for all of the normal accounting and payroll functions. An accountant can advise you on all of these things.

You will also need to have systems in place to handle other retail business functions such as credit card and debit card purchases.

## **8.8 Banking**

Talk to different banks to find one that is supportive of your efforts. Some managers take a helpful approach to small business people, while others do not. Pick one who understands your business concept and is supportive.

You can greatly facilitate your banking relationship by meeting with the manager once a year to keep him or her informed about your business and your plans for the future. A good time to visit is when you have your new annual financial statement ready. Walk them through the results and explain what has changed and why. While they may not necessarily care about the specifics of what you're saying, it is very important that they see that you are on top of the business, committed to its future, etc. The psychology of building a relationship with your banker is just as important as the substance. Bankers like to know that you are taking care of the business.

If cash flow problems arise from time to time, as they may, meet with the bank to keep them informed about what's happening and what you're doing about it. Nothing makes a banker more nervous than a silent client whose bank account is constantly at its credit limit. On the other hand, if the bank manager believes you are making an effort to keep him or her informed, the bank will be much more cooperative in helping you through difficult periods.

If you are a seasonal operation, try to negotiate your financial arrangements so that you only need to make loan payments during the operating season when you have cash flow available.

## **8.9 Environmentally Sustainable Operations**

Increasing emphasis is being placed on the operation of tourism businesses in Nova Scotia in an environmentally sustainable manner. The manager and staff of your business should be aware of the principles of sustainable tourism, and you should operate your business in a manner that is consistent with the principles of reduce, reuse and recycle. For more information, and specific operating guidelines, contact the Tourism Industry Association of Nova Scotia which has Self-Audit Workbooks for tourism businesses.



## **8.10 Other Operational Issues**

### **Policies**

You will need to establish a number of store policies, covering issues such as:

- Refunds: You should provide a refund without argument if the customer has any problems with the merchandise. Try to give a credit for use in the store; if the customer won't be returning to the area, then give a full refund.
- Exchanges
- Shipping: If your customer requests it, you should be prepared to provide shipping services for your merchandise. This will be particularly important for larger items, and for these you may have to consider an additional charge.
- The types of warranties you will provide on merchandise, where appropriate.

### **Hours of Operation**

In the tourism retail business, you need to have the store open as much as possible during the relatively short tourism season. However, make sure you check with your local municipality regarding their policies on operating hours. You should seriously consider being open seven days a week from late May and into October and in the evenings every day except perhaps Sunday evenings. If you are running a seasonal retail business, your store should be open at a minimum from May through October.

The tourism season in Nova Scotia is lengthening every year and there are increasing efforts to extend the season further and further from the early spring to the late fall. In some parts of the province, there is already a year-round tourism market. Remember also that the Nova Scotia resident market is available, and Nova Scotians are travelling around the province all year, and this may represent a strong market for your business as well.

Whatever schedule you set, make sure you stick with it even if there are slow periods. You will not create a good relationship with local area tourism businesses if you indicate that you will be open weekends in April and then decide to shut the doors until mid-May because there is not any business one day.

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## **SECTION 9**

### ***The Marketing Plan***





## SECTION 9

### THE MARKETING PLAN<sup>5</sup>

#### 9.1 Introduction

Your marketing plan is a guide for directing your marketing efforts and a tool for monitoring the progress you are achieving. It is generally written annually. Traditionally, the marketing plan is prepared in conjunction with your overall financial planning and budgeting.

The plan will probably be written by the owner or manager. However, it should never be prepared in isolation – a good plan requires the support and counsel of key people in your business. You may find it useful to review the Marketing for Small Tourism Businesses Manual that is one of this series of publications since it provides much more detailed information and tools on developing and implementing your marketing plan.

When you are starting up your business, the marketing plan is a crucial element in your overall planning process – without marketing, you will have few customers. Frequently, in small businesses marketing tends to get overlooked or to be given a lower priority when there are other, apparently more vital demands for available start-up funds. However, marketing must be given a high priority, and developing a good marketing plan is an essential first step.

This section discusses the basics of how to develop your marketing plan and introduces some of the key marketing methods and tools. Not all of the marketing activities described in this section will be appropriate for a small tourism retail business, particularly if your primary market is visitor traffic through a tourism destination community/area. We have indicated how the various marketing activities might be used most appropriately for tourism retail businesses.

#### Developing a Marketing Plan

Your marketing plan should contain several elements, as described below.

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<sup>5</sup> The material in this section has been adapted from several sources, all of which were originally prepared by The Economic Planning Group. These sources include:

- *Nova Scotia HUB and SPOKE Tourism Marketing Seminar Manual*, prepared for the Nova Scotia Tourism RITC, 1989/90
- *Tourism is Your Business: Marketing Management*, Published by Canadian Hotel & Restaurant, Maclean Hunter Limited in cooperation with Tourism Canada and the Canadian Government Publishing Centre, 1986
- *Packaging for and Selling in the United States Leisure Market*, Published by Tourism Canada, 1995

### Business Assessment

An assessment of your situation – the current status of the market, the competitive environment, trends – including all of the things discussed earlier in sections on preparing a strategic plan and feasibility assessment.

### Marketing Objectives

With the assessment completed, develop a clear statement of objectives – sales volume and profit – for which you are striving.

### Marketing Strategy

This is your overall approach to achieving your marketing objectives. It should include a Positioning Statement – what are the key features and USP's of your retail business, who are your markets, and how is it different from other retail businesses.

It should also include a definition of your target markets – each of the market segments you wish to attract, and the features of your operation you intend to highlight to each market. And you must also identify the tactics – the actual marketing activities – you are going to use for each market.

If your business is going to be open year round, you will want a different strategy to target the local/regional resident markets, which will likely comprise your primary markets during the November to May period, and a separate strategy targeting the visitor markets.

As described earlier, your major markets will probably be visitors to your community as well as residents of the local/regional area.

If you are located in a tourism-oriented community, it is most likely that these markets will not decide to visit your tourism retail business until they are already in your community, and, as such, your marketing efforts need to be focussed within the community. There is little point in marketing your tourism retail business directly to travellers who are not already in your area (except for advertising in provincial/regional publications that are sent out to people thinking of visiting the province – more about that later).

If you have a very unique/appealing retail business, your store may have the potential of becoming the reason, or part of the reason, visitors come to your area. If this is the case, then your marketing activities will have to be more extensive. And if you are in a rural area or on a highway touring route, you will again need a slightly different focus to your marketing activities.

For the group market, e.g. motorcoach tours, almost all decisions will be made before the group visits the province. Therefore, your marketing to this segment will focus on potential prospects located outside of the province.

The rest of this section of the manual discusses some of the marketing options available to you for your tourism retail business, divided into two sections – marketing to the consumer and marketing to the travel trade, which is the major group market you are likely to target.

## 9.2 Marketing to Consumers

### Key Marketing Activities

This section explores some of the key marketing activities that might be appropriate for a tourism retail business.

#### Media Advertising

Advertising in traditional media is generally the most expensive element of your marketing plan. Effective advertising requires a clear understanding of the target group, your product strengths, and the available media options within your budget. Advertising can create awareness of your business and encourage consumers to try your product. And, if you have a decent website, in your advertising direct people to it for more information.

However, for a tourism retail business, you need to give careful consideration as to which types of media will reach your target markets. For example, visitors don't often read local newspapers but local newspapers may be an effective way of reaching the local/regional resident market to promote Christmas sales, for example.

If you are going to invest anything more than a small amount of money in advertising, then you should seriously consider obtaining professional assistance from an advertising agency. The agency can help you design your ads, identify the best media to use, buy the media, and generally manage your advertising program.

If your advertising program is too small to make using an advertising agency practical, then there are others who might be able to help:

- Local printer: he or she should have some expertise in ad design and layout;
- A local marketing partner selling a product complementary to yours;
- Your local newspaper, radio station, etc.;
- Your local tourist association coordinator;
- A local art or communications instructor/teacher.

The key point is get help from someone who has expertise in marketing and communications techniques.

There are a variety of types of media advertising and some will work better than others for your business. The basic approach to follow when deciding which media to use is to choose those media that reach your target audience most cost effectively. You will have to do some homework to determine this – contact media representatives and ask them to send you information on such things as audience profiles, market coverage, and circulation.

Don't forget to look at advertising as an investment – not as a one-shot deal. You will not always get noticeable results from one advertisement, so stay away from expensive media if you cannot afford to repeat your advertisement frequently enough to achieve an ongoing awareness.

The main categories of media are: print (newspapers, magazines), outdoor (effective signage), and broadcast (radio and TV). Exhibit 6 summarizes the advantages and disadvantages of each type of advertising media, with some comments as to where each might be useful for a tourism retail business.

## EXHIBIT 6

### ADVANTAGES AND DISADVANTAGES OF DIFFERENT TYPES OF ADVERTISING

| TYPE                                                                                                                                                                                                             | ADVANTAGES                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | DISADVANTAGES                                                                                                                                                                                                                                                                                          |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>PRINT MEDIA</b>                                                                                                                                                                                               |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |                                                                                                                                                                                                                                                                                                        |
| <b>Newspapers</b><br><br><i>For a tourism retail business, probably most appropriate for targeting local/regional resident market segments, and as part of special tourism supplements targeting travellers.</i> | <ul style="list-style-type: none"> <li>• reaches more people than other print media</li> <li>• considered to be a good source of info on travel facilities and services</li> <li>• can be placed at short notice</li> <li>• relatively low cost</li> <li>• wide selection of editorial, so messages can sometimes go in special sections</li> <li>• printed daily or weekly – can hit the market with frequency</li> <li>• provides an opportunity to be creative</li> <li>• offers an opportunity to use coupons</li> </ul> | <ul style="list-style-type: none"> <li>• large readership, but only a small number of readers will have an interest in any one product</li> <li>• has a short lifespan – often read in a hurry</li> <li>• quality of reproduction is poor</li> <li>• pages are large, so small ads get lost</li> </ul> |
| <b>Magazines</b><br><br><i>Likely not an appropriate media for tourism retail businesses.</i>                                                                                                                    | <ul style="list-style-type: none"> <li>• more selective readership than newspapers</li> <li>• much longer lifespan than newspapers</li> <li>• higher reproduction quality than newspapers</li> </ul>                                                                                                                                                                                                                                                                                                                         | <ul style="list-style-type: none"> <li>• long lead times and inflexible closing dates. You have to plan far in advance</li> <li>• low market penetration rates – therefore higher costs</li> <li>• circulation seldom tailored to geographic markets</li> </ul>                                        |
| <b>Guides</b><br>e.g. travel guides, directories, etc.<br><i>Travel guides are most appropriate for tourism retailers, preferably in co-operation with other tourism businesses in the area.</i>                 | <ul style="list-style-type: none"> <li>• highly targeted – may have a low number of readers but they are interested in the subject</li> <li>• listings are sometimes free</li> </ul>                                                                                                                                                                                                                                                                                                                                         | <ul style="list-style-type: none"> <li>• normally long lead times</li> <li>• space may be limited</li> </ul>                                                                                                                                                                                           |

**EXHIBIT 6 continued**

**ADVANTAGES AND DISADVANTAGES OF DIFFERENT TYPES OF ADVERTISING**

| <b>TYPE</b>                                                                                                              | <b>ADVANTAGES</b>                                                                                                                                                                                                                                                                                                                                                                           | <b>DISADVANTAGES</b>                                                                                                                                                                                                                                                                                                           |
|--------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>BROADCAST MEDIA</b>                                                                                                   |                                                                                                                                                                                                                                                                                                                                                                                             |                                                                                                                                                                                                                                                                                                                                |
| <b>Radio</b><br><br><i>Could be appropriate for a retail business.</i>                                                   | <ul style="list-style-type: none"> <li>• captive audience at any given moment – they will all hear your message</li> <li>• stations have segmented audiences so you can target a group, e.g. young market</li> <li>• very versatile</li> <li>• a live medium – you can do things with this that cannot be done with other media</li> <li>• relatively low cost and fast delivery</li> </ul> | <ul style="list-style-type: none"> <li>• short life span – listeners may miss part or all of the message</li> <li>• poor choice if you need to show a visual image</li> <li>• large number of messages in peak periods – can be disruptive</li> <li>• frequently listened to in the car and can easily be tuned out</li> </ul> |
| <b>Television</b><br><br><i>Unlikely to be appropriate for a tourism retail business and tends to be very expensive.</i> | <ul style="list-style-type: none"> <li>• excellent way to convey powerful images</li> <li>• audience is somewhat captive</li> <li>• tremendous reach</li> <li>• can show business in very attractive manner</li> </ul>                                                                                                                                                                      | <ul style="list-style-type: none"> <li>• many of same disadvantages as radio</li> <li>• expensive – both to purchase the time and produce the commercial</li> </ul>                                                                                                                                                            |
| <b>CONTRA ADVERTISING</b>                                                                                                | <ul style="list-style-type: none"> <li>• in most cases, no money changes hands so this approach does not deplete your cash assets</li> </ul>                                                                                                                                                                                                                                                | <ul style="list-style-type: none"> <li>• the advertising you get is generally in off-peak, poorer periods</li> <li>• it is not necessarily effective if the media being offered is inappropriate to your business</li> </ul>                                                                                                   |
| <b>CO-OP ADVERTISING</b>                                                                                                 | <ul style="list-style-type: none"> <li>• economies of scale can provide small organizations with an opportunity to gain exposure in an area of media that would not otherwise be cost effective</li> </ul>                                                                                                                                                                                  | <ul style="list-style-type: none"> <li>• peer pressure can stampede you into going into a venture that is not in your best interest</li> <li>• your exposure may be too small to be noticed if you are in with a large number of bigger operators</li> <li>• sharing of costs</li> </ul>                                       |



EXHIBIT 6 continued

ADVANTAGES AND DISADVANTAGES OF DIFFERENT TYPES OF ADVERTISING

| TYPE                                                                                                                                                                                                                                                                                          | ADVANTAGES                                                                                                                                                                                                                                                                                                                                                                   | DISADVANTAGES                                                                                                                                                                                                                                                                                               |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>DIRECT MAIL</b>                                                                                                                                                                                                                                                                            |                                                                                                                                                                                                                                                                                                                                                                              |                                                                                                                                                                                                                                                                                                             |
| <p><i>It may be appropriate for a tourism retail business if you have a direct order component, or a highly select list of regular customers.</i></p>                                                                                                                                         | <ul style="list-style-type: none"> <li>• highly targeted – if you have refined lists, then you can be sure only potential customers receive your mailing</li> <li>• extremely flexible</li> <li>• you can reach people at home or at the office</li> <li>• you can personalize your message</li> <li>• you can measure effectiveness and organize on short notice</li> </ul> | <ul style="list-style-type: none"> <li>• relatively costly</li> <li>• postal service can be unreliable</li> <li>• usually a low response rate – frequently only 1% - 2%</li> </ul>                                                                                                                          |
| <b>OUTDOOR ADVERTISING</b>                                                                                                                                                                                                                                                                    |                                                                                                                                                                                                                                                                                                                                                                              |                                                                                                                                                                                                                                                                                                             |
| <p>Includes effective message, mall poster displays, transit advertising.</p> <p><i>Many tourism retail businesses believe that visibility signage, both in their place of business and in the vicinity of it if they are on a highway, can be a major factor in generating business.</i></p> | <ul style="list-style-type: none"> <li>• geographic flexibility</li> <li>• message is there 24 hours per day</li> <li>• particularly effective in reinforcing other types of advertising and in attracting pass-through or transient customers</li> <li>• can provide directions to your business as well</li> <li>• relatively long life-span</li> </ul>                    | <ul style="list-style-type: none"> <li>• availability of outdoor locations is limited</li> <li>• cannot be targeted to any segments other than geographic ones</li> <li>• can communicate only a limited amount of information</li> <li>• works best for firms with well-established reputations</li> </ul> |



**EXHIBIT 6 continued**

**ADVANTAGES AND DISADVANTAGES OF DIFFERENT TYPES OF ADVERTISING**

| <b>TYPE</b>                                                                                                                                                                                                         | <b>ADVANTAGES</b>                                                                                                                                                                                                                                                                                                                                      | <b>DISADVANTAGES</b>                                                                                        |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------|
| <b>INTERNET</b>                                                                                                                                                                                                     |                                                                                                                                                                                                                                                                                                                                                        |                                                                                                             |
| <b>Website</b>                                                                                                                                                                                                      | <ul style="list-style-type: none"> <li>• Extensive reach</li> <li>• Affordable</li> <li>• Customizable for different audiences</li> <li>• Can be kept current day to day</li> <li>• Can assist in building a data base of prospects</li> <li>• Can be linked to an on-line retail outlet or provide an on-line catalogue for or mail orders</li> </ul> | <ul style="list-style-type: none"> <li>• Having people finding it on the Internet is a challenge</li> </ul> |
| <b>Database e-marketing</b><br><br><i>For a tourism retail business, this is only relevant if you are going to develop an on-line 'shop', offer your catalogue on line or promote specials to regular customers</i> | <ul style="list-style-type: none"> <li>• Better quality of prospects, resulting in higher conversion</li> <li>• Very affordable</li> <li>• Very customizable</li> <li>• Easy response</li> </ul>                                                                                                                                                       | <ul style="list-style-type: none"> <li>• Now requires the permission of the prospect</li> </ul>             |

### Co-op Advertising

Cooperative advertising works on the strength in numbers principle. In general, several organizations (e.g. business, government, associations) with a mutual marketing need will join forces. For example, an area travel association may invite area tourism businesses into sharing the costs of a co-op brochure or a full page ad for the entire destination. This may be effective for your tourism retail business, and it can also be an important way of showing support for your local tourism sector.

### Contra Advertising

Contra advertising, or swap advertising, has long been a factor within the tourism sector. Basically, contra involves trading media coverage for some of your product. This is often done for contests, where a resort, for example, gives a free weekend as a prize for a radio contest and receives plugs on the air or actual advertisements at no charge.

A retail business might provide merchandise as prizes or gifts in return for media coverage. This approach can also be used to get publicity for your store at local festivals and special events.

## **Website and Internet-based Marketing**

The Internet has triggered a complete revolution in how companies market themselves, and this is particularly the case with tourism companies. Even the smallest enterprise can reach out to the world via the Internet. While marketing expertise and budgets still make a big difference in marketing effectiveness, these are no longer the absolute determinants of how broadly and far a company can reach in promoting itself. Even a simple website can be accessed worldwide. The playing field has been considerably leveled for companies large and small.

The big differences today are not in having an Internet presence; rather they are in a) your ability to attract prospects to your website and b) the quality of the website itself in terms of ease of navigating within it and its effectiveness in generating sales.

Internet marketing refers to all forms of marketing associated with the Internet, including websites, website links, database marketing, relationship marketing, web-based advertising and web-based tour operators.

### Website

The use of a website along with Internet-based e-marketing have exploded onto the scene and today have become a fundamental and central component of most tourism businesses marketing. In fact, many businesses are using their other marketing to drive prospects to their website and some are relying exclusively on their website to market their business.

Early websites were simply electronic brochures people could view on the Internet. Today, many websites are much more sophisticated and provide a number of helpful functions for the user, all of them designed to make it easier and more compelling to buy the products on offer.

## *Links*

It is useful to develop a link strategy for both inbound (links from other websites) and outbound links (links to other websites). Inbound links should be maximized to the extent possible. Outbound links should be designed to open in a separate window so that the user is returned to the original site once they close out of the linked site.

Partnerships are a key part of tourism market development. Similarly, website links are a critical element of website development. They are merely on-line partnerships that share web visitors between like-minded operators and those offering complementary products and services. As such, a detailed link strategy should be developed and maintained to ensure as many visitors as possible find links to your website. As a tourism retail business, you will want to have your website linked to that of your local and regional tourism associations, Chamber of Commerce or downtown business association.

This often requires a simple request to partner sites through email. Ideally, a graphic should accompany the email in the event the host website would like to add an image or icon of the province highlighting the link. In addition, the website should have a section in the site encouraging links with a download-able image that can be added to other sites. This additional promotion can be achieved at virtually zero cost; it simply requires time and attention on an ongoing basis to increase the exposure in a wide variety of market segments.

You could also use your website to promote a catalogue of your retail items or, potentially, to sell products on-line. You can tell customers who come to your store that they can use your web site to make purchases after they get home from their trip, and you could also build a mail order business directly on the web. If you are thinking of offering merchandise on-line, we recommend that you do some research into the market potential and the costs of establishing and maintaining the site. If you decide to establish an on-line retail outlet, you will need to significantly enhance your website and add security features - you will need to retain some professional help with these elements.

## **Collateral Material**

Collateral material includes all the printed material you use to market your business – the material you distribute to potential customers. The main types of collateral material are brochures, posters, counter displays, and price lists. Brochures are particularly important and should be carefully designed to make sure that they achieve the following goals:

- **Capture Attention:** First you have to draw the consumer's attention. Use the front cover to do this. Use an attractive, lure picture of your product. Since brochures are frequently displayed with only the top part showing, make sure that the top one quarter of your brochure describes the experience you are offering.
- **Develop Interest:** Build interest in what you are offering. This should be done on the second panel with photographs and text describing the appeals of your product. Use pictures of people enjoying your product.

- **Create Desire:** Create a desire for the product. Provide enough information for people to decide whether or not they want to visit your attraction. Focus on your competitive advantages and unique selling propositions (USPs).
- **Call to Action:** Turn that interest and desire into action. Your back panel should be a call for action and include – where to find you and how to get there, your address, hours of operation, phone number to call for more information. Your brochures and other collateral material can be distributed through a number of channels:
- **Local visitor information centres:** Make sure your local visitor information centre is well supplied with brochures and that the people who work there know all about your retail business. You may want to bring the travel counsellors to your store in the spring so they have first-hand experience with your product. You may be able to rent display space here as well.
- **Other information centres:** You can supply the Tourism Nova Scotia Literature Distribution Centre with a stock of your brochures for distribution to provincial information centres and to other local centres. This service is currently provided free of charge. All you have to do is supply the brochures (they have some guidelines about brochures, which you can get from Tourism Nova Scotia) and indicate where you would like them distributed.
- **Local tourist businesses:** Local, noncompeting businesses such as restaurants, gas stations, and, in particular accommodations and campgrounds, should be well-supplied with your brochures. It is important to make sure that these operators, particularly the accommodation operators, are well-acquainted with your business since visitors will frequently ask "what's there to do here". Again, you may want to encourage these operators to visit your store so that they are familiar with the types of merchandise you have to offer.

You might also arrange with these businesses to display your brochures and/or counter cards in their lobbies and to include your brochures among the in-room information they provide to their customers. Additional comments about building and maintaining relationships with the other tourism businesses in your community are provided later in this section.

### **Provincial and Regional Travel Literature**

The Province of Nova Scotia, through the Tourism Division, Department of Tourism, Culture and Heritage, produces and distributes a variety of travel literature and this material affords an excellent means of reaching potential customers. Tourism retail businesses have the opportunity to purchase advertising in those publications that include advertisements, with the costs varying depending on the publication and on the size and type of advertisement you want to place. Even where there is a charge, this is a very cost-effective advertising method, since hundreds of thousands of these publications are produced and distributed widely to people travelling in the province.

#### Nova Scotia Travel Guide

You may purchase advertising space in the Complete Guide for Doers and Dreamers. The deadline for booking advertising in this guide is July 1, for the subsequent year's publication. If you advertise in this guide, your advertisement will be placed in the section for your region of the province. You should probably contact your regional tourism association and/or local community

association to ensure that you don't miss out on any opportunities for a cooperative community/regional spread. You can also contact the Tourism Division for further information.

### Regional Travel Guides

The regional travel associations (you should definitely become a member of the one in your area - see Appendix I for contacts), also produce travel guides for each region of the province. These are distributed through information centres and in response to direct requests. As with the provincial guide, they are a very cost effective method for advertising your tourism retail business.

### **Sales Promotion**

Sales promotion is often confused with advertising, and with the term 'promotion' generally. Essentially, sales promotion covers promotional activities other than personal selling and advertising. Properly planned, promotions can increase the awareness of your business, attract new customers, and keep existing customers coming back. Promotions can be a very effective marketing technique for retail businesses.

Promotions include the following types of activities:

- In-store promotions with tourism-related themes, such as promotions tied to a festival or special event happening in the community;
- In-store demonstrations by local artists whose work you feature in your store;
- Displays and special promotions of "high profile" merchandise such as "Beanie Babies";
- Cross-promotions with other tourism operators in the community;
- Coupons offering a saving or some other special benefit in buying a product. These can be attached to an ad or distributed separately. For example, you may want to have a staff member stand in high traffic locations in your community and distribute coupons offering 10% off selected merchandise at your store. Or include coupons in brochures that you distribute through local accommodation properties to encourage visitors to come to your store. Make sure you design the coupon so that you can track the results; this will help you make future decisions as to the most cost-effective marketing efforts.
- Special, limited time offers, such as sales, special events, 'free' items with a purchase and so on; generally used to encourage purchase in off-peak periods or if you have merchandise that is particularly difficult to move.
- Exhibits and displays in public, high traffic locations and at events;
- Providing merchandise as prizes for festivals and special events.

The purpose of sales promotion, like advertising, is to attract attention to the product and generate sales.



## **Public Relations and Publicity**

Public relations and publicity can keep your business in the public eye without your having to pay for advertising. To that extent it is free, so it can be highly cost effective. However, good publicity doesn't just happen, it has to be carefully planned, and it must fit in with your other promotional activities. You can get publicity in the media by making yourself available for interviews or establishing yourself as the local expert on some topic related to your business.

For a tourism retail business, your public relations efforts within the community, and particularly with the tourism industry in your community, are particularly important. You must be seen as being "a player" in the community – always supporting community efforts and events. You should cooperate as much as possible with the local tourism businesses in their efforts to strengthen your community as a tourism destination, since your retail business will be a direct beneficiary of these efforts. Participate in co-op ads in travel guides; provide door prizes and gifts for conference and meeting groups coming to town and/or discount coupons to go in conference kits; enter into couponing programs with other businesses.

Being involved with the tourism industry also means that you can keep up-to-date on trends in the sector, and that you will be aware of when major events might be happening that will affect your business. For example, if your community is hosting a major festival, you may want to increase your staffing levels or stay open longer to take advantage of the business opportunity.

## **Signage**

It is important to have good signage for your business, not only to tell potential customers about your business but also to help them find you. Signage on provincial highways is governed by the Department of Transportation and Public Works. Within municipalities there are likely to be some guidelines or regulations on signage design and placement.

Whatever signs you put up must be of good quality. Small, falling-down, hand-lettered, and hard-to-read signage does not suggest a quality operation to the potential customer. Search out a local artist or sign maker to design and build some quality signs for your business. Make sure that the signs are big enough for travellers on the road/highway to read them. Remember, they are probably driving at 70 - 80 km an hour, which means they won't have a lot of time to take in much information on the sign. Make sure that whatever you put on the sign is brief and informative. Be careful not to put on information that might change, such as your operating hours or the prices, unless on a panel which can be easily replaced with new information.

## **9.3 Promoting to the Travel Trade**

The travel trade offers an opportunity to extend your market "reach" considerably beyond the markets you can afford to promote to on your own. The travel trade is made up of businesses that promote other peoples' travel products.

If you are a unique tourism retail business, or offer high quality, locally made crafts for example, you may want to consider providing information on your business to the travel trade. However, we strongly recommend that you do this in cooperation with your local/regional tourism association and/or other tourism businesses in your community, with information on your business included as part of a general information package on things to see and do in your area.

## **Travel Trade Structure**

There are three main elements within the travel trade: Tour Operators, Receptive or Inbound Operators, and Travel Agencies. The first two can generate business for your retail business, if it offers the types of merchandise that appeals to the markets served by the travel trade.

### Tour Operators

Tour operators develop, market, and operate packages and tours as their primary business. There are a number of types of tour operators, the most common ones being the escorted group motorcoach tour operator, the independent package (FIT) operator, the special interest/activity packager/ operator, and the holiday destination packager.

Sometimes tour operators are referred to as 'outbound operators', to distinguish them from the inbound, or receptive, tour operators.

### Receptive and/or Inbound Operators

These are businesses that specialize in particular destinations, providing services to group travel organizers and tour operators at the destination. Some limit their services to the community and area in which they are based; others provide services within entire regions.

The local inbound or receptive operator is probably located in Nova Scotia. This operator will deal directly with tour operators and travel agents who develop and market their own packages, companies that require group hosting arrangements, and other intermediaries – selling and arranging product in Nova Scotia.

They can include a stop at your retail business as part of the packages they sell to tour operators from outside the province. Receptive operators deal with groups as well as the FIT market (independent travellers).

There are a number of receptive tour operators in Nova Scotia. You can obtain a list from the Department of Tourism, Culture and Heritage. You could contact these operators directly and promote your product to them.

## **Marketing to the Travel Trade**

How do you sell your tourism retail business through tour operators or receptive operators? The key is to encourage tour operators to include a stop at your store as part of their tour.

Generally speaking, tour operators are looking for the following kinds of things from their suppliers:

- Gifts and souvenirs representative of Nova Scotia's culture and heritage, and its arts and crafts;
- Quality, unique merchandise at good value prices;
- Consistently friendly service;



- A high standard of cleanliness and state of repair;
- Easy access for seniors;
- A travel trade culture, consisting of:
  - an appreciation by management of the business coming from tours;
  - a willingness by both management and staff to give the best service to groups.

For tourism retail businesses, your approach to marketing to the travel trade should be to participate cooperatively in initiatives of your regional tourism association or the Department of Tourism, Culture and Heritage since this approach is the only one likely to be cost-effective for you. Tour operators will not be interested in dealing with you directly.

These organizations are likely to participate in a number of initiatives design to market tourism businesses in your area to tour operators, and your business could benefit from their efforts, if you participate.

Before you start marketing to this market segment, make sure you have merchandise that will appeal to the clientele of tour operators. Remember, if you want business from motorcoach tour operators, you will need to be able to accommodate a full motorcoach (can be up to 47 people) and the merchandise must be suitable for the mature market, since a large portion of motorcoach business is from this segment.

## **9.4 Measurement**

Your Marketing Plan must be continually monitored and reevaluated.

A number of methods may be employed to monitor your plan. For example:

- Track advertising effectiveness. For example, how many coupons were returned? How many people visited your attraction because of your ad in the regional travel guide?
- Constantly read customer comment cards or use other research tools to determine levels of consumer satisfaction.
- Keep abreast of your financial reports. Watch for fluctuations in the number of visitors, average rates, menu items sold, inventories, etc.

## **9.5 Market Research**

Marketing research should be considered when you have questions that need answering and when the cost of making a mistake is considerable. It is simply the assembly and evaluation of information.

The vast majority of marketing research problems can be reduced to some variation of four basic questions:

|                   |                                                                                                                                  |
|-------------------|----------------------------------------------------------------------------------------------------------------------------------|
| <b>PEOPLE:</b>    | How big is the market? Who should my target groups be? What do they look like?                                                   |
| <b>PRODUCT:</b>   | Am I competitive? What do my target markets want?                                                                                |
| <b>PROMOTION:</b> | What should I say? When, where, and how often should I say it? Is what I have been saying being heard, believed, and acted upon? |
| <b>PRICE:</b>     | What should I charge?                                                                                                            |

If you are going to do market research, you need to define the problem clearly. What is the purpose of your research? What are the benefits which will be derived and how will you use the information in your business or marketing planning? Then you need to identify what information you already have available before deciding what else you need to collect and what are the best ways of obtaining the information you need. There are a variety of market research methods you can use depending on whom you want to survey and what information you require. We have identified several methods below that may be useful for a tourism retail business.

### **Customer Surveys**

You can survey your customers while they are at your store or as they leave. Options include:

- Interviews: either in person while they are at your attraction or on the telephone afterwards.
- Questionnaires: can be completed by guests before they leave or given to them to be mailed back (it is a good idea to give them pre-stamped envelopes), or questionnaires can be mailed out later.
- Comment cards: same as questionnaires, but only useful if you are looking for a minimal amount of information.

Customer surveys have a built-in bias, in that the only people who respond are your existing customers. If you are trying to determine their reaction to your attraction, the type and quality of service you are providing, or some changes you are planning, then this is the best research method. However, if you are trying to determine the level of interest in your product in the market place or why consumers are not taking visiting the attraction, then you have to use another method.

### **Competitive Research**

Your competitors are often a good source of advice on how you are doing. Is your parking lot full while the operation's across the road is empty? Or is the situation reversed?

Is your competitor spending more money than you on advertising? Why? What is he or she promoting? What about prices? What about special deals? Is your competitor advertising for new staff? Is he or she paying more?

The implication of these comments is clear. Keep abreast of what your competitors are up to!

## **Market Trends**

Be aware of trends in the market place. Read trade journals and articles. Join associations and attend meetings periodically.

We understand how very busy you are running your attraction. We also acknowledge that your time demands must be managed. Manage your reading and media consumption in such a way that you become conversant with trends and changes that will affect your industry and your operation.

## **9.6 Pre-opening Activities**

The opening of your tourism retail business for the first time is a major event for you, but it's also a newsworthy event in the community and you should take maximum advantage of the public relations and publicity opportunities. You want to get public awareness of your existence as quickly as possible. Some suggestions follow:

- Prepare a press kit when you're almost ready to open, including pictures and an article on the unique and newsworthy aspects of your business. Distribute it to the local media.
- Host a reception for the managers, but also for the front line staff, of your tourism partners in the community – hotels, restaurants, etc. Give them a brief tour or presentation.
- Stage some special promotions and events to draw public and media attention to your new venture and its appeals.

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## **ACKNOWLEDGEMENTS**



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## ACKNOWLEDGEMENTS

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- Loretta Lewis, Jonathan Bond Incorporated
- Ella McQuinn, McQuinn and Company Marketing,





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## **APPENDIX I**

### ***List of Contacts***



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# APPENDIX I

## LIST OF CONTACTS

**Tourism Division - Tourism Development**  
Department of Tourism, Culture and Heritage  
1800 Argyle Street, 6th floor  
Halifax, NS  
B3J 2R5  
Tel: 424-5000  
Fax: 424-0629  
Website: [www.gov.ns.ca/dtc](http://www.gov.ns.ca/dtc)

**Tourism Division - Tourism Marketing**  
Department of Tourism, Culture and Heritage  
1800 Argyle Street, 6<sup>th</sup> Floor  
Halifax, NS  
B3J 2R5  
Tel 424-5000  
Fax: 424-2668  
Website: [www.gov.ns.ca/dtc](http://www.gov.ns.ca/dtc)

**The Nova Scotia Tourism Partnership Council**  
World Trade and Convention Centre  
Suite 603, 1800 Argyle Street  
Halifax, Nova Scotia  
B3J 3N8  
Tel: 424-0048  
Fax: 424-0723  
Website: [www.nstpc.com](http://www.nstpc.com)

**Service Nova Scotia & Municipal Relations**  
Access Nova Scotia  
Toll free: Throughout Province:  
1-800-670-4357  
Website: [www.gov.ns.ca/snsmr](http://www.gov.ns.ca/snsmr)

*One-stop shopping for government programs and services. Maintain database of contacts for government departments in each region regarding appropriate permits, etc. Also contact for new Nova Scotia Business Registry.*

Regional Access Nova Scotia Offices:

Access Nova Scotia - Amherst  
Superstore Mall  
126 South Albion St.  
Amherst, NS B4H 2X3

Access Nova Scotia - Antigonish  
20 St. Andrew's St.  
Antigonish, NS B2G 2L4

Access Nova Scotia - Bridgewater  
77 Dufferin Street  
Bridgewater, NS B4V 2W8  
Tel: 1-800-670-4357

Access Nova Scotia - Halifax  
West End Mall  
6960 Mumford Rd.  
Halifax, NS B3L 4P1

Access Nova Scotia - Kentville  
28 Aberdeen Street  
Kentville, NS B4N 2N1  
Tel: 1-800-670-4357

**Regional Access Nova Scotia Offices  
(Cont'd):**

Access Nova Scotia - Port Hawkesbury  
218 MacSween St., Ste. 22  
Provincial Building  
Port Hawkesbury, NS

Access Nova Scotia - Sydney  
Moxham Centre  
380 King's Rd.  
Sydney, NS B1S 1A8

Access Nova Scotia - Truro  
35 Commercial Street, Suite 101  
Truro, NS B2N 3H9

Access Nova Scotia - Halifax  
West End Mall  
6960 Mumford Road  
Halifax, Nova Scotia  
B3L 4P1

Access Nova Scotia - Dartmouth  
Superstore Mall  
650 Portland Street  
Dartmouth, NS B2W 6A3

Access Nova Scotia - Yarmouth  
Provincial Bldg.,  
10 Starrs Rd., Ste. 127  
Yarmouth, NS B5A 2T1

Canada/Nova Scotia  
Business Service Centre  
1575 Brunswick Street  
Halifax, NS  
B3J 2G1  
Tel: 426-8604  
Fax: 426-6530  
Toll free: 1-800-668-1010

*Information on federal and provincial  
government programs and funding assistance  
under the Community Business Loan Program.*

Nova Scotia House of Assembly- Office of  
Legislative Council  
Website: [www.gov.ns.ca/legislature/legc/](http://www.gov.ns.ca/legislature/legc/)

*Statutes of Nova Scotia*

**Government Departments**

**Federal Government**

Atlantic Canada Opportunities Agency (ACOA)  
1801 Hollis St., Suite 600  
P.O. Box 2284, Station M  
Halifax, NS B3J 3C8  
Tel: 426-6743  
Fax: 426-2054  
Toll free: 1-800-565-1228  
Website: [www.acoa-apeca.gc.ca](http://www.acoa-apeca.gc.ca)

Business Development Bank of Canada  
Cogswell Tower - Scotia Square, Suite 1400  
Halifax, NS B3J 2Z7  
Tel: (902) 426-7850  
Fax: (902) 426-6783  
Toll free: 1-888-463-6232  
Website: [www.bdc.ca](http://www.bdc.ca)

Canadian Tourism Commission (CTC)  
55 Metcalfe Street, Suite 600  
Ottawa, ON  
K1P 6L5  
Tel: 613-946-1000  
Website: [www.canadatourism.com](http://www.canadatourism.com)

Canada Revenue Agency  
Business Services  
Website: <http://www.cra-arc.gc.ca>

*Payroll, GST/HST  
Business Account Registration  
Corporations (taxation)  
Sole Proprietorships/Partnerships*

Canada Revenue Agency  
Tax Services Offices:

Halifax  
Ralston Building  
1557 Hollis St.  
P.O. Box 638  
Halifax, NS B3J 2T5  
Fax: (902) 426-7170

Sydney  
47 Dorchester St.  
P.O. Box 1300  
Sydney, NS B1P 6K3  
Fax: (902) 564-3095

Enterprise Cape Breton Corporation  
Commerce Tower, 3<sup>rd</sup> floor  
15 Dorchester St.  
Sydney, NS B1P 6T7  
Tel: 564-3600  
Fax: 564-3825  
Toll free: 1-800-705-3926  
Website: [www.ecbc.ca](http://www.ecbc.ca)

Fisheries and Oceans Canada (Maritimes)  
P.O. Box 1035  
Dartmouth, NS B2Y 4T3  
Tel: (902) 426-3760  
Fax: (902) 426-5995  
Website: [www.dfo-mpo.gc.ca](http://www.dfo-mpo.gc.ca)

Industry Canada  
Corporations Directorate  
365 Laurier Avenue West, 9th floor  
Jean Edmonds Tower South  
Ottawa, ON  
K1A 0C8  
Tel: 1-866-333-5556  
Fax: (613) 941-0601  
Website: [www.corporationscanada.ic.gc.ca](http://www.corporationscanada.ic.gc.ca)

Industry Canada  
Competition Bureau  
50 Victoria St.  
Gatineau, PQ  
K1A 0C9  
Tel: 1-800-348-5358  
Fax: (819) 997-4282  
Website: <http://cb-bc.gc.ca>

Industry Canada  
NUANS Search System  
C/O NUANS Administrator  
Hewlett-Packard Canada  
P.O. Box 13000  
100 Herberg Rd.  
Kanata, ON  
K2K 2A6  
Website: [www.nuans.com](http://www.nuans.com)

Office of the Privacy Commissioner of Canada  
112 Kent St.  
Place de Ville, Tower B - 3<sup>rd</sup> floor  
Ottawa, ON K1A 1H3  
Toll free: 1-800-282-1376  
Tel: (613) 995-8210  
Fax: (613) 947-6850  
Website: [www.privcom.gc.ca](http://www.privcom.gc.ca)

*Personal Information & Protection of Electronic  
Documents Act*

Statistics Canada (Atlantic Office)  
1741 Brunswick Street  
Box 11, 2<sup>nd</sup> Floor  
Halifax, NS B3J 3X8  
Toll free: 1-800-263-1136  
Website: [www.statcan.ca](http://www.statcan.ca)

*Population data, Canadian Travel Survey,  
International Travel Survey.*

Transport Canada, Marine Safety  
Tower C, Place de Ville  
330 Sparks St.  
Ottawa, ON  
K1A 0N8  
Tel: (613) 990-2309  
Website: [www.tc.gc.ca/marinesafety](http://www.tc.gc.ca/marinesafety)

*Navigable Waters Protection Program  
Office of Boating Safety*

Transport Canada (Atlantic Region)

Dartmouth:

P.O. Box 1013  
45 Alderney Drive  
Dartmouth, NS B2Y 4K2  
Tel: 426-7795

Port Hawkesbury:

811 Reeves St.  
Shediac Plaza  
P.O. Box 2012  
Port Hawkesbury, NS B0E 2V0  
Tel: (902) 625-0803

Sydney:

196 George St.  
Federal Arts Bldg., 2<sup>nd</sup> floor  
Sydney, NS B1P 1J3  
Tel: (902) 564-7002

Yarmouth:

248 Pleasant St.  
P.O. Box 850  
Yarmouth, NS B5A 4K5  
Tel: (902) 742-6860  
Website: [www.tc.gc.ca/at/](http://www.tc.gc.ca/at/)

St. John Ambulance Training Offices  
Headquarters for Nova Scotia Council  
88 Slayter Street  
Dartmouth, NS B3A 2A6  
Tel: 463-5646  
Fax: 469-9609  
Website: [www.stjohnambulance.ns.ca](http://www.stjohnambulance.ns.ca)

Canadian Red Cross  
1940 Gottingen Street  
Halifax, NS B3J 3Y2  
Tel: (902) 423-3680  
Fax: (902) 422-6247  
Website: [www.redcross.ca](http://www.redcross.ca)  
*First Aid, Water Safety courses.*

**Provincial Government**

Nova Scotia Department of Agriculture &  
Fisheries - Food Safety Section (Halifax)  
PO Box 2223  
Halifax, NS  
B3J 3C4  
Tel: (902) 424-1173  
Fax: (902) 424-3948  
Website: [www.gov.ns.ca/nsaf](http://www.gov.ns.ca/nsaf)

Nova Scotia Department of Agriculture &  
Fisheries - Food Safety Section (Truro)  
P.O. Box 550  
Truro, NS  
B2N 5E3  
Tel: (902) 893-7473  
Fax: (902) 893-6531  
Website: [www.gov.ns.ca/nsaf](http://www.gov.ns.ca/nsaf)

Nova Scotia Department of Natural Resources  
P.O. Box 698  
Halifax, NS  
B3J 2T9  
Tel: 424-5935  
Fax: 424-7735  
Website: [www.gov.ns.ca/natr](http://www.gov.ns.ca/natr)

Service Nova Scotia & Municipal Relations  
1505 Barrington St., 9<sup>th</sup> Floor, South  
PO Box 2271  
Halifax, NS  
B3J 3C8  
Tel: 424-5528  
Fax: 424-1298  
Website: [www.gov.ns.ca/snsmr](http://www.gov.ns.ca/snsmr)

Nova Scotia Department of Environment &  
Labour  
5151 Terminal Road  
PO Box 2107  
Halifax, NS  
B3J 3B7  
Tel: 424-5300  
Fax: 424-0503  
Website: [www.gov.ns.ca/enla/](http://www.gov.ns.ca/enla/)

*Public Safety Division  
Occupational Health & Safety Division*

Nova Scotia Office of Economic Development  
P.O. Box 2311  
14<sup>th</sup> floor South, Maritime Centre  
1505 Barrington St.  
Halifax, NS  
B3J 3C8  
Tel: (902) 424-0377  
Fax: (902) 424-7008  
Website: [www.gov.ns.ca/econ](http://www.gov.ns.ca/econ)

Nova Scotia Human Rights Commission  
(Central Office):  
1690 Hollis St., 6<sup>th</sup> floor  
P.O. Box 2221  
Halifax, NS B3J 3C4  
Tel: 1-877-269-7699  
TTY: (902) 424-3139  
Fax: 424-0596  
Website: [www.gov.ns.ca/humanrights](http://www.gov.ns.ca/humanrights)

Nova Scotia Labour Standards  
5151 Terminal Road, 7th floor  
P.O. Box 697  
Halifax, NS  
B3J 2T8  
Tel: 1-888-315-0110  
Fax: 424-0648  
Website: [www.gov.ns.ca/enla/labstand](http://www.gov.ns.ca/enla/labstand)

Nova Scotia Alcohol and Gaming Authority  
40 Alderney Dr.  
P.O. Box 545  
Dartmouth, NS B2Y 3Y8  
Tel: 424-6160  
Fax: 424-4942  
Website: [www.gov.ns.ca/aga](http://www.gov.ns.ca/aga)

Nova Scotia Utility and Review Board  
Motor Carrier Division  
1601 Lower Water Street, Suite 300  
P.O. Box 1692  
Halifax, NS  
B3J 3P6  
Tel: (902) 424-3588  
Fax: (902) 424-3919  
Website: <http://www.nsuarb.ca>

Nova Scotia Workers Compensation Board Main  
Office (Halifax)  
5668 South Street  
P.O. Box 1150  
Halifax, NS  
B3J 2Y2  
Tel: 1-800-870-3331 (Halifax)  
Website: [www.wcb.ns.ca](http://www.wcb.ns.ca)

Office of the Fire Marshal  
Nova Scotia Environment & Labour  
5151 Terminal Rd., 6<sup>th</sup> Floor  
P.O. Box 697  
Halifax, NS  
B3J 2T8  
Tel: 1-800-559-3473  
Fax: (902) 424-3239  
Website: [www.gov.ns.ca/enla/ofm](http://www.gov.ns.ca/enla/ofm)

Nova Scotia Transportation & Public Works  
1672 Granville St.  
PO Box 186  
Halifax, NS B3J 2N2  
Tel: 424-2297  
Fax: 424-0532  
Website: [www.gov.ns.ca/tran](http://www.gov.ns.ca/tran)

Provincial Tax Commission  
P.O. Box 755  
1505 Barrington St.,  
8<sup>th</sup> floor, Maritime Centre  
Halifax, NS B3J 2V4  
Toll free: 1-800-565-2336  
Tel: 424-6300  
Fax: 424-0602  
Web: [www.gov.ns.ca/snsmr/taxcomm](http://www.gov.ns.ca/snsmr/taxcomm)

Nova Scotia Registry of Joint Stock Companies  
PO Box 1529  
Halifax, NS  
B3J 2Y4  
Tel: 1-800-225-8227  
Fax: (902) 424-4633  
Website: [www.gov.ns.ca/snsmr/rjsc](http://www.gov.ns.ca/snsmr/rjsc)

*Registration of company and NUANS search of  
business name.*

Nova Scotia Museum  
Website: [www.museum.gov.ns.ca](http://www.museum.gov.ns.ca)



### **Educational/Training Resources**

Cape Breton University  
P.O. Box 5300  
1250 Grand Lake Road  
Sydney, NS B1P 6L2  
Toll Free: 1-888-959-9995  
Tel: 539-5300  
Fax: 562-0119  
Website: [www.capebretonu.ca](http://www.capebretonu.ca)

Dalhousie University  
Henry Hicks Academic Administration  
Building  
6299 South St.  
Halifax, NS B3H 4H6  
Tel: 494-2211  
Registrar's Office:  
Tel: (902) 494-2450  
Fax: (902) 494-1630  
Website: [www.dal.ca](http://www.dal.ca)

Mount St. Vincent University (MSVU)  
166 Bedford Highway  
Halifax, NS B3M 2J6  
Tel: (902) 457-6117  
Fax: (902) 457-6498  
Website: [www.msvu.ca](http://www.msvu.ca)

Nova Scotia Community College (NSCC)  
Admissions  
P.O. Box 220  
Halifax, NS B3J 2M4  
Tel: (902) 491-4911  
Toll Free: 1-866-679-6722  
Fax: 424-0717  
Toll Free: 1-866-329-6722  
Website: [www.nsc.ca](http://www.nsc.ca)

Saint Mary's University  
923 Robie Street  
Halifax, NS B3H 3C3  
Tel: (902) 420-5400  
Website: [www.stmarys.ca](http://www.stmarys.ca)

Nova Scotia Tourism Human Resource Council  
1099 Marginal Road, Suite 201  
Halifax, NS B3H 4P7  
Tel: (902) 423-4480  
Fax: (902) 422-0184  
Website: [www.tourismhrc.com](http://www.tourismhrc.com)

### **INDUSTRY ORGANIZATIONS/ SECTOR ASSOCIATIONS**

#### **National & International Organizations/ Associations**

Canadian Association of Foodservice  
Professionals  
1644 Bayview Ave., Ste. 1219  
Toronto, ON M4G 3C2  
Tel: (416) 422-3431  
Fax: (416) 421-1598  
Website: [www.cfsea.com](http://www.cfsea.com)

Canadian Culinary Federation (CCF)  
700-1281 West Georgia St.  
Vancouver, BC V6E 3J7  
Tel: (604) 681-6087  
Fax: (604) 688-5749  
Website: [www.ccfcc.ca](http://www.ccfcc.ca)

Canadian Restaurant and Foodservices  
Association (CRFA) - Atlantic Office  
5121 Sackville St., Ste. 201  
Halifax, NS B3J 1K1  
Tel: (902) 425-0061  
Fax: (902) 422-1161  
Website: [www.crfa.ca](http://www.crfa.ca)

Tourism Industry Association of Canada (TIAC)  
803-130 Albert Street  
Ottawa, ON  
K1P 5G4  
Tel: 613-238-3883  
Fax: 613-238-3878  
Website: [www.tiac-aite.ca/](http://www.tiac-aite.ca/)

## **Provincial Sector Organizations/ Associations**

### **Tourism Industry Association of Nova Scotia (TIANS)**

1099 Marginal Road, Suite 201  
Halifax, NS  
B3H 4P7  
Tel: (902) 423-4480  
Fax: (902) 422-0184  
Website: [www.tians.org](http://www.tians.org)

### **Affiliated Associations (Same address, phone & fax as TIANS)**

Campground Owners Association of Nova  
Scotia (COANS)

Nova Scotia Adventure Tourism Association

Nova Scotia B&B Association

### **Other Industry Organizations/Associations**

Canada Select (Nova Scotia)  
1800 Argyle St., Ste. 603  
Halifax, NS B3J 2R7  
Tel: (902) 424-8929  
Fax: (902) 424-0723  
Website: [www.canadaselect.com](http://www.canadaselect.com)

Check In Nova Scotia  
2695 Dutch Village Road, Suite 501  
Halifax, NS B3L 4V2  
Tel: 425-5781  
Toll free: 1-800-565-0000  
Website: [www.checkinnovascotia.com](http://www.checkinnovascotia.com)  
*Nova Scotia Travel Information and  
Reservations.*

Federation of Nova Scotian Heritage  
1113 Marginal Rd.  
Halifax, NS B3H 4P7  
Tel: (902) 423-4677  
Toll free: 1-800-355-6873  
Fax: 422-0881  
Website: [www.fnsh.ns.ca](http://www.fnsh.ns.ca)

Hotel Association of Nova Scotia (HANS)  
P.O. Box 473, Station M  
Halifax, NS B3J 2P8  
Website: [www.novascotiahotels.ca](http://www.novascotiahotels.ca)

Nova Scotia Association of Chefs & Cooks  
Howe Hall, 6230 Coburg Road  
Halifax, NS  
Tel: 494-1262

Nova Scotia Restaurant Association  
1161 Hollis Street  
VIA Rail Station  
Halifax, NS B3H 2P6  
Tel: 429-5343  
Fax: 429-0659

Taste of Nova Scotia  
P.O. Box 368  
29 Inglis Place, 2<sup>nd</sup> Floor  
Truro, NS B2N 5L5  
Tel: 895-3315  
Fax 895-1011

Nova Scotia Association of Unique Country Inns  
Website: [www.uniquecountryinns.com](http://www.uniquecountryinns.com)

## **Regional Tourism Industry Associations**

Antigonish/Eastern Shore Tourist Association  
(AESTA)  
RR #1 Musquodoboit Harbour, NS  
B0J 2L0  
Tel: 889-2362  
Web: [www.rewardyoursenses.com](http://www.rewardyoursenses.com)

Central Nova Tourist Association  
P.O. Box 1761, 577 Prince Street  
Truro, NS  
B2N 5Z5  
Tel: 893-8782  
Fax: 893-2269  
Website: [www.centralnovascotia.com](http://www.centralnovascotia.com)

Destination Cape Breton  
PO Box 1448  
Sydney, NS  
B1P 6R7  
Tel: 563-4636  
Fax: 564-5422  
Website: [www.cbisland.com](http://www.cbisland.com)

Destination Halifax  
1800 Argyle Street, Suite 802  
Halifax, NS  
B3J 3N8  
Tel: 422-9334  
Fax: 492-3175  
Website: [www.destinationhalifax.com](http://www.destinationhalifax.com)

Evangeline Trail Tourist Association (ETTA)  
654 West Main St.  
Kentville, NS B4N 1L7  
Tel: (902) 678-1728  
Fax: (902) 679-1396  
Toll free: 1-866-260-3882  
Website: [www.evangelinetrail.com](http://www.evangelinetrail.com)

Pictou County Tourist Association (PCTA)  
40 Water St.  
P.O. Box 1839  
Pictou, NS B0K 1H0  
Tel: (902) 485-6151  
Fax: (902) 485-4415  
Toll free: 1-877-81-OCEAN  
Web: [www.tourismpictoucounty.com](http://www.tourismpictoucounty.com)

South Shore Tourist Association (SSTA)  
Box 1390  
Lunenburg, NS  
B0J 2C0  
Tel: 634-8844  
Fax: 634-8056  
Website: [www.sssta.com](http://www.sssta.com)

Yarmouth County Tourist Association  
(YCTA)  
Tel: 742-5355  
Toll free: 1-866-850-9900  
Web: [www.aboutyarmouth.com](http://www.aboutyarmouth.com)

## Regional Development Authorities

Antigonish Regional Development Authority  
Farmer's Mutual Insurance Building,  
Suite 2-1  
188 Main St.  
Antigonish, NS B2G 2B9  
Tel: 863-3330 Fax: 863-4095  
Website: [www.antigonishrda.ns.ca](http://www.antigonishrda.ns.ca)

Cape Breton County Economic Development  
Authority  
338 Charlotte Street, 3<sup>rd</sup> Floor  
Sydney, NS B1P 1C8  
Tel: (902) 562-2201  
Fax: (902) 562-2866  
Website: [www.cbceda.org](http://www.cbceda.org)

Colchester Regional Development Agency  
P.O. Box 181, 966 Prince Street  
Truro, NS B2N 5C1  
Tel: 893-0140  
Fax: 897-1157  
Toll free: 1-866-227-6182  
Website: [www.corda.ca](http://www.corda.ca)

Cumberland Regional Economic Development  
Association  
35 Church Street, Box 546  
Amherst, NS B4H 4A1  
Tel: (902) 667-3638  
Fax: (902) 667-2270  
Website: [www.creda.net](http://www.creda.net)

Guysborough County Regional Development  
Authority  
P.O. Box 49, 46 Main Street  
Guysborough, NS B0H 1N0  
Tel: 533-3731  
Fax: 533-2064  
Toll free: 1-800-355-3731  
Website: [www.gcrda.ns.ca](http://www.gcrda.ns.ca)

Halifax Regional Development Agency  
11 Glendale Drive, Unit 9  
Lower Sackville, NS B4C 3P2  
Tel: 869-4040  
Fax: 869-4091 Toll Free 1-800-650-0039  
Website: [www.hrda.ns.ca](http://www.hrda.ns.ca)

Hants Regional Development Authority  
Box 2313  
Windsor, NS B0N 2T0  
Tel: (902) 798-2284  
Enfield Office: (902) 883-3338  
<http://www.hantscounty.com>

Straits Highlands Regional Development  
Authority  
P.O. Box 2200  
32 Faint St.  
Port Hawkesbury, NS B0E 2V0  
Tel: 625-3929  
Fax: 625-1559  
Website: [www.strait-highlands.ns.ca](http://www.strait-highlands.ns.ca)

Kings Community Economic Development  
Agency  
28 Aberdeen Street, Ste. #5  
Kentville, NS B4N 2N1  
Tel: (902) 678-2298  
Fax: (902) 678-2324  
Website: [www.kingsced.ns.ca](http://www.kingsced.ns.ca)

Pictou Regional Development Commission  
Business Service Centre  
980 East River Road  
New Glasgow, NS B2H 3S5  
Tel: (902) 752-6159  
Toll Free: 1-888-412-0072  
Fax: (902) 755-2722  
Web: [www.wearepictoucounty.com](http://www.wearepictoucounty.com)

South West Shore Development Authority  
P.O. Box 131  
Yarmouth, NS B5A 4B1  
Tel: (902) 742-3210  
Fax: (902) 742-3107  
Website: [www.swsda.com](http://www.swsda.com)

Western Valley Development Authority  
P.O. Box 278  
86 Atlantic Ave.,  
Cornwallis Park, NS B0S 1H0  
Tel: (902) 638-8100  
Fax: (902) 638-8101  
website: [www.wvda.com](http://www.wvda.com)

## ***Travel Trade Organizations***

### **Canada**

Association of Canadian Travel Agencies  
(ACTA)  
130 Albert Street, Suite 1705  
Ottawa, ON K1P 5G4  
Tel: 613-237-3657  
Fax: 613-237-7052  
Website: [www.acta.ca](http://www.acta.ca)

Canadian Bus Association (CBA)  
451 Daly Avenue  
Ottawa, ON K1N 6H6  
Tel: 613-238-1800  
Fax: 613-241-4936  
Website: [www.buscanda.ca](http://www.buscanda.ca)

Ontario Motor Coach Association (OMCA)  
4141 Yonge Street, Suite 306  
Toronto, ON M2P 2A8  
Tel: 416-229-6622  
Fax: 416-229-6281  
Website: [www.omca.com](http://www.omca.com)

Retail Council of Canada  
Suite 1210,  
121 Bloor St., E.  
Toronto, ON M4W 3M5  
Tel: (416) 922-6678  
Fax: (416) 922-8001  
Website: [www.retailcouncil.org](http://www.retailcouncil.org)

### **United States**

American Bus Association (ABA)  
700 13<sup>TH</sup> St., NW, Suite 575  
Washington, DC 20005-5923  
Tel: 202-842-1645  
Toll free: 1-800-283-2877 (US and Canada)  
Fax: 202-842-0850  
Website: [www.buses.org](http://www.buses.org)

American Society of Travel Agents (ASTA)  
1101 King St., Suite 200  
Alexandria, VA 22314  
Tel: 703-739-2782  
Fax: 703-684-8319  
Website: [www.astanet.com](http://www.astanet.com)

Group Leaders of America, Inc. (GLAMER)  
P.O. Box 129  
Salem, OH 44460  
Tel: 1-800-628-0993  
Fax: 330-337-1118  
Website: [www.glamer.com](http://www.glamer.com)

International Association of Convention &  
Visitor Bureaus  
2025 M Street, NW Suite 500  
Washington, DC 20036  
Tel: 202-296-7888  
Fax: 202-296-7889  
Website: [www.iacvb.org](http://www.iacvb.org)

CrossSphere (formerly NTA)  
546 E. Main Street  
Lexington, KY  
40508  
Tel: 606-226-4444  
Toll free: 1-800-682-8886  
Fax: 606-226-4414  
Website: [www.crosssphere.com](http://www.crosssphere.com)

Travel Industry Association  
1100 New York Avenue, NW, Suite 450  
Washington, DC  
20005-3934  
Tel: 202-408-8422  
Fax: 202-408-1255  
Website: [www.tia.org](http://www.tia.org)

Travel and Tourism Research Association  
(TTRA)  
PO Box 2133  
Boise, ID  
83701-2133  
Tel: 208-853-2320  
Fax: 208-853-2369  
Website: [www.ttra.com](http://www.ttra.com)

United States Tour Operators Association  
(USTOA)  
275 Madison Avenue, Suite 2014  
New York, NY  
10016  
Tel: 212-599-6599  
Fax: 212-599-6744  
Website: [www.ustoa.com](http://www.ustoa.com)

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## **APPENDIX II**

### ***Financing***





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# APPENDIX II

## FINANCING

Few people starting a business have enough personal capital to do it on their own. It is much more common for entrepreneurs to need other investors and, usually, some loan capital as well. This section deals with the "how to's" of arranging financing for your tourism retail business.

It is important that you learn the basics of business finance if you are going to be seen as credible and competent by a banker or other lender. They don't expect you to be an expert on financing but they do expect you to know enough to be able to meet their needs and provide reassurance about their major concerns. They also expect you to know enough about business finance to be able to manage your business' financial affairs over time.

Rule number one is that you must invest significantly in the business yourself. You have to have your own neck on the line if others are going to risk their capital on your enterprise. Having other equity investors will be helpful, but the lenders will look to the managing principals to have a major, personal equity stake in the business.

Rule number two is that you have to have a credible business plan and preferably a feasibility study too to provide evidence that the business is going to be able to succeed and pay back its financing: first its loans and secondly its outside equity investors.

Bankers and lenders are not risk takers. They not only want the foregoing, they also want some additional security in the form of assets pledged to protect the loan.

We will now briefly explore the different types of financing available and then consider the "how to's" of applying for a loan.

### ***Equity Capital***

Your own investment in the business, be it cash, buildings or equipment, is the primary source of equity. Additional equity capital may be invested by partners, limited partners, or other investors who are willing to risk their capital on your idea and your abilities.

### Venture Capital Companies

There are many venture capital companies in Canada who invest in small-to-medium size businesses that have growth potential. Venture capital companies commonly invest between \$100,000 and \$500,000.

These companies will put in risk capital but only in ventures that have the potential to grow dramatically and pay large returns within four to five years. They will want to sell their investment after four or five years and realize their gain.

Typically, venture capitalists invest in high tech and other high growth companies when they are in their fledgling stages. While most tourism enterprises don't have the same kind of growth potential, some may, particularly if there is the opportunity to franchise a good concept. Otherwise, this is not a very likely source of financing.

The key things venture capitalists are looking for are:

- Rapid growth potential;
- Strong, committed management;
- A seat on the Board of Directors and pre-emptive rights to replace management if they don't perform on target;
- Large returns over a limited number of years.

### ***Debt Financing***

Loans are the predominant form of financing for the tourism industry in Nova Scotia and elsewhere in Canada.

A key lending principle is that long-term assets are financed with long-term loans and short-term assets are financed with short-term loans. Working capital should be financed by a short-term line of credit. In other words, the type of financing should fit the useful life of the asset in the business. In the retail sector, most of your requirements will be for short-term assets and for working capital to finance your inventory.

Another key principle, often ignored, is that a business should never commit to loan obligations that it can't comfortably support from its earnings. As a general rule, the lenders will want the business to be able to generate cash flow which is at least 1.1 times, and perhaps as much as 1.5 times, the amount required to repay both principal and interest on an annual basis.

In addition, your loan financing, combined with your equity financing should be sufficient to cover all your costs, and should provide for contingencies in the event of unexpected costs or overruns in development costs. Otherwise, the working capital of the business will be absorbed by capital commitments and the ability of the business to operate properly will be compromised, if not threatened.

## **Fixed Assets Financing**

Fixed assets are assets fixed in one place, such as land and buildings. They are assets that generally have a long life. Such assets are normally financed with long-term debt, either a mortgage loan or a secured term loan. Mortgage loans extend for the longest period, while term loans are normally for intermediate periods of five to fifteen years.

Lenders don't like to finance more than 75% of the value of assets in this way; they want the rest covered by equity. The lender looks to the projected earning power of the business to pay off the loan, although they also want the security of a claim on the assets themselves in the event of default. They will expect a business plan from you and may also want a feasibility study.

Long-term lenders also look at the overall financing of the business, not just the financing of their secured assets. They look at the debt/equity ratio and don't like to see a ratio of more than 1.5 or 2.0 at the most (1.5 or 2 times as much debt as equity).

Lenders may require other things from you. Typical requirements, in addition to the security for the loan, include:

- Personal guarantees of the main principals for the amount of the loan plus accrued interest;
- A postponement of the repayment of shareholder loans until the loan is repaid;
- Limitation on the salaries and drawings of the principals;
- Restrictions on major capital purchases until the loan is repaid.

## **Major Equipment Financing**

Major capital equipment needs for a retail business are likely to be very limited, if any. Long-term mortgage loans are not normally used to finance major equipment purchases. The techniques that are used most often include:

- Secured term loan;
- Conditional sales purchase;
- Equipment lease;
- Sale and leaseback.

### Secured Term Loan

This is a standard term loan, generally of five to fifteen years, in which the equipment is taken as security for the loan, usually in the form of a lien.

### Conditional Sales Contract

This is a method wherein the manufacturer of the equipment finances the purchase. The purchaser makes a down payment and monthly payments until the loan is paid off. The ownership of the equipment remains with the manufacturer until the debt is paid.

### Lease

Leasing is a very common way to finance equipment. This is like the conditional sales contract, but leases are provided by many different financial institutions, not just equipment manufacturers. With a lease, the equipment is rented for a pre-set period of time at a fixed monthly payment that covers the cost of interest as well as a portion of the original value of the equipment. Depending on the type of lease, the equipment either reverts to the leasing company at the end of the term (although the lessee usually has an option to buy it for a pre-set value) or the lessee must buy it for a pre-set amount at the end of the lease term.

The ownership of the assets usually resides with the leasing company.

Leases are popular since they don't require a large cash outlay at the beginning. They also provide a means of replacing equipment on a regular basis, since it can be returned at the end of the lease period and new equipment leased. It is also attractive for companies wanting to own the equipment, since they can buy it at the end of the lease period, probably for a quarter to a third of the original cost.

### Sale and Leaseback

Companies wanting to reduce their existing debt so that they can borrow for new assets they require can sell a fixed asset to a financial institution and then lease it back. They effectively convert a long-term debt into a medium-term lease commitment.

## ***Working Capital Financing***

The financing of short-term working capital is generally done with some combination of the following:

- Bank line of credit;
- Character loans;
- Commercial loans.

There are other methods, such as accounts receivable financing and factoring, but they are very unlikely to be used by a tourism retail business.

### Bank Line of Credit

This is called a demand loan since the bank can demand payment at any time. The line of credit is really an overdraft privilege with a pre-set limit. It allows you to pay your bills with the bank's money when you're short of cash. The amount of the loan is the amount used and interest is only paid on the amount used.

The bank may require you to pledge your receivables as security for the line of credit and they will probably want regular financial statements and frequent lists of payables and receivables. They will also want personal guarantees.

A hybrid of this is the revolving loan, in which the bank automatically extends you small loans as you draw on the credit available and automatically pays them off as you make deposits. While you may pay interest on a slightly larger average loan, the interest rate is usually lower.

The bank will monitor your line of credit. They like to see it fluctuate and occasionally go to zero. If it is constantly at the limit, they will get concerned. If this happens, you probably should refinance the business to return the line of credit to a fluctuating loan.

#### Character Loans

These are unsecured loans, generally short-term, which are extended to companies or individuals with excellent credit ratings. The funds can be used at the company's discretion.

#### Commercial Loans

These are more formal loans intended for short-term uses. The bank generally wants payments on a regular basis and the loan paid off within a year.

### ***Sources of Financing in Nova Scotia***

There are a number of agencies which offer financial assistance for tourism related businesses in Nova Scotia.

The **Business Development Bank of Canada** (BDB - formerly the Federal Business Development Bank) is a federal crown corporation that offers innovative financial and management services that address the unique needs of today's small and medium-sized businesses. Assistance is available in the form of loans, loan guarantees, and venture capital. Contact the Business Development Bank of Canada for more specific program details.

The **Canada/Nova Scotia Business Service Centre** ([www.cbsc.org/ns/](http://www.cbsc.org/ns/)) provides a variety of helpful information including potential sources for funding programs.

The **Office of Economic Development** might be able to offer funding assistance through various programs. For more information, contact the nearest office of the Canada/Nova Scotia Business Service Centre for details on their programs.

Another potential funding source is the **Atlantic Canada Opportunities Agency** (ACOA), which has various assistance programs for business. The programs are designed to help you set up, expand, or modernize your business and focus on small-and medium-size businesses. They can provide tourism-related businesses with access to capital in the form of interest-free, unsecured, repayable contributions. Contact ACOA (or Enterprise Cape Breton Corporation for businesses in Cape Breton) for information on eligibility and program details.

Finally, the **Canada Small Business Financing Act** is a federal government program designed to help new and existing small business enterprises obtain term loans from chartered banks and other lenders for financing the purchase and improvement of fixed assets. Loan assistance is available for the purchase of land, construction or renovation of premises, and purchase of new equipment. The program is delivered through private-sector financial institutions. Further information on the Small Business Financing Act is available from ACOA or your lender.

## ***Your Presentation and Negotiations***

### **The First Step**

First of all, put together a short description of your business concept, in point form if possible, and review it with your local economic development officer or a representative of the Regional Development Authority or the Office of Economic Development. They will be able to help you identify what you need if your application is to be considered favourably by a banker.

Next, make an appointment with the manager or loan officer and go to meet with them. (It will help if you review this section before you go so you are able to discuss financing options with some knowledge.)

Make it clear at the outset of your meeting that this is intended to be a preliminary meeting, designed to help you prepare the specific information they are going to need to process your application. It is vital that they understand that you aren't applying for financing at this point, only looking for information and advice regarding a possible later application. They are used to people coming in to make actual applications for financing without having any idea of what's involved. Those people instantly have two strikes against them. Make sure they don't cast you into this lot!

By giving them an overview of the business concept, they will be able to focus in on the forms of financing and types of conditions most appropriate for your business. You may, in fact, learn that they are not the right kind of institution at all and save yourself later frustration.

There are several other advantages of having this initial meeting:

- You will be able to focus your subsequent presentation to them on the things that they indicate will be most important and avoid wasting effort on things that aren't important.
- You will get a sense of the aspects of your concept that make them most nervous and you will be able to concentrate your later presentation on overcoming these concerns.
- It will impress them that you are taking a professional approach; that you recognize their need for information and evidence of the merits of the proposal; and that you have sought their advice. The psychology of this can be most valuable later; they will write in their file, "The principal of this business is taking a professional approach to preparing his or her application," or some such supportive comment.

### **The Second Step - Preparing Your Presentation**

In preparing your written presentation, you will need, directly and indirectly, to address a number of specific concerns that the financial institution will inevitably have:

- The viability of the business concept - potential earnings, risk factors, competitive advantages/disadvantages. With existing businesses, they will, of course, be interested in past growth, revenues, and earnings as well.



- The tourism industry and the retail sector in particular - viability, trends, growth.
- The ability of projected earnings to service the financing.
- The opportunity for growth over time.
- The management abilities of the principals - their track records in past projects or jobs, their experience in this kind of business, their formal training and education.
- The financial integrity of the principals - past credit history, reputation in the business community for paying bills and fulfilling obligations.
- The amount of equity in the business, particularly from the main principals.
- The realizable value and marketability of the security that is available to secure the financing.
- The level of professionalism evident in the approach to securing financing - the understanding of the needs of the lender, the use of outside professionals.

The actual presentation will address these issues in the context of the suggested table of contents in Exhibit II-1. If you have already prepared a business plan and/or a feasibility study, you can attach them to the submission and reference them where appropriate.

The presentation need not be exhaustive. It can be in a summary form and use bullets to make the points concisely. The financial institution will come back to you for more information where they need it.

You should submit the presentation in person, making an appointment, and then make another appointment to come back and discuss the presentation once they've had a chance to read it.

## **Negotiations**

Honesty and openness in negotiations are critical. It isn't just because you don't want to be caught in deceit or concealment of information, it's also because you are going to have to establish a relationship of mutual trust and maintain it over a period of years. If the financier has any reason to doubt your trustworthiness, honesty, or openness, you will find it very hard, indeed, to get your loan approved.

Discuss your own concerns openly: how you intend to deal with the risks and uncertainties, what you expect to do about major problems that might arise. In general, have an open and full discussion of how the business is going to overcome its challenges. Financiers know very well what can go wrong with a business and they believe in Murphy's Law. In fact, they tend to be cynical about small business, unfair as that may seem. They want you to make them comfortable and give them confidence in your ability to deal with problems.



## **EXHIBIT II-1**

### **SUGGESTED TABLE OF CONTENTS FOR A BUSINESS PLAN, SUITABLE FOR A PRESENTATION FOR FINANCING**

#### ***Executive Summary:***

- Very brief description of the business, the concept proposed, and the capital budget
- An outline of proposed financing
- Summary of revenue and cash flow projections

#### ***Background:***

- Industry/general tourism trends
- History of the company, date of commencement
- Form of business (partnership, etc.)
- Names of the principals, their involvement, and investment

#### ***Business Concept:***

- The development concept
- Its unique selling propositions and competitive advantages
- The product mix/product features
- Target markets
- Location and site description
- Proposed assets and capital budget
- Purchase price
- Project phasing

#### ***Proposed Financing:***

- Equity
- Debt
- Working capital
- Security available

#### ***Management:***

- Organizational structure
- Biographies of principals and key management

## **EXHIBIT II-1 cont'd**

### **SUGGESTED TABLE OF CONTENTS FOR A BUSINESS PLAN, SUITABLE FOR A PRESENTATION FOR FINANCING**

#### ***Markets and Projected Demand:***

- Summary of results of market research and analysis
- Comparable information
- Competitive analysis
- Market trends
- Demand projections

#### ***Marketing:***

- Pre-opening activities/opening promotions
- Summary of the consumer marketing plan
- Summary of the travel trade and group marketing plan
- Marketing partnerships
- Pricing
- Planned market tracking and research

#### ***Operations Plan:***

- Staffing and training plan
- Business systems
- Other operational issues

#### ***Three to Five Year Operating Projections:***

- Revenues
- Operating Costs
- Profits
- Debt service
- Asset additions
- Net cash flow

#### ***Initial Balance Sheet:***

- Assets
- Liabilities
- Equity

## **EXHIBIT II-1 cont'd**

### **SUGGESTED TABLE OF CONTENTS FOR A BUSINESS PLAN, SUITABLE FOR A PRESENTATION FOR FINANCING**

#### ***Return on Investment:***

- Internal rate of return or simple return on investment
- Present value of cash flow
- Times interest earned
- Breakeven analysis

#### ***Summary of Key Risks and Contingencies:***

- Key risks and management's proposed responses to such threats
- Contingency plans to deal with above

#### ***References:***

- Financial institutions
- Creditors
- Past business associates - customers, suppliers, partners, etc.
- Banker, lawyer, accountant

Don't be intimidated. If you don't understand something, ask. If you don't agree with something, say so. If you think they are being unreasonable in their demands, ask them to explain why the demands are necessary and debate the issue.

At all times be open-minded, non-judgemental, and cool.

This is a normal negotiation. You are free to go elsewhere to get the best deal for your business. However, we recommend that you approach one lender at a time. When you find someone you like and can deal with, stick with them. You should always deal with your banker in good faith. If the manager doesn't think you are serious, or thinks you are wasting his or her time, then you will have difficulty obtaining the financing you require.

Try to get the manager/loan officer to leave their office and come to see your business; give them the tour. Getting them out of their environment into yours is good psychology, and it will help them see your proposal in a more substantial way. It will be real, not just a paper project.

It will take some time and effort to accomplish, but you want to draw your financier into a partnership-style relationship, where they will be more concerned with keeping your business afloat and helping you out, rather than worrying about their loan and wishing you'd take your business elsewhere.

Put yourself in their shoes and act accordingly. Keep them informed. Act like you are in a partnership relationship and treat them like your partner. Hopefully, they will respond in kind.



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**APPENDIX III**

***Calculation of Net Income, Cash Flow,  
and Return on Investment***





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## **APPENDIX III**

### ***CALCULATION OF NET INCOME, CASH FLOW AND RETURN ON INVESTMENT***

This appendix presents the calculation of net income and cash flow as well as methods of calculating return on investment, based on professional, accepted standards of analysis.

The proper way to determine the real profitability of a business and its return on investment is to first calculate net profit, in accordance with established accounting principles and in the way Revenue Canada calculates business income taxes. By following this method, it is possible both to determine your projected level of income taxes and determine the actual net cash return accruing to you and your investors.

However, there is also a shortcut method which is simpler and will also render a cash flow calculation, although the numbers will, in this case, be pre-tax. If it is your purpose to determine the basic viability of the business proposal by measuring return on investment, pre-tax returns can be just as useful as net returns. We will discuss this latter method first.

The short-cut way of calculating cash flow is simply to start with Operating Profit, deduct total mortgage payments (both principal and interest), and deduct any capital Asset Replacement allowance. This will give you the net cash flow, prior to business income taxes. It is simpler, by far, than going through a detailed calculation (which is only required to derive income taxes), and the pre-tax numbers can be just as readily used for return-on-investment analysis.

To complete a detailed analysis, we need to determine pre-tax profit, net profit and net cash flow. Pre-tax Profit is the Operating Profit minus all other charges against income. These are the non-operating costs of the business, and they include:

- Interest on long-term debt;
- Depreciation.

To calculate the interest on your proposed debt financing, we need to split the mortgage payments between the interest and principal portions for each year. A mortgage program can do this for you. Ask your accountant or your banker to run the numbers for you.

Depreciation should be charged at the Capital Cost Allowance (CCA) rates set out by Revenue Canada for each type of asset. Generally, these are calculated on a diminishing balance basis (a constant percentage is applied each year against the un-depreciated balance in the asset account), although some assets can be depreciated on a straight-line basis (an equal portion of the original amount each year). Check with your accountant or Revenue Canada for the CCA rates applying to the major asset items proposed for your operation.

Net Profit is Pre-tax Profit less corporate income taxes. Business income taxes are levied against pre-tax profit. Ask your accountant which tax rates would apply to your business.

The resulting figure, Net Profit, is the accountant's way of telling you what the real profit is in your business. It is a figure which includes the profit that is available to you and your investors at the end of the year as well as the principal portion of any debt that has been paid off, after adjusting for the amortization of the original cost of the assets in the business (depreciation or CCA). In other words, it's the accrued change in the book value of the net worth of the business (i.e. assets less liabilities).

However, this is not the same figure as the amount of real cash you have available from the business, since it includes the principal portion of mortgage payments which have been made and it also ignores any new capital expenditures which have been made over the year (expenditures which would have been capitalized rather than expensed against that year's income). Net Profit is also net of capital cost allowance or depreciation. Indeed, as this is a book entry and not a real cash flow charge, it only distorts the cash flow picture.

To calculate Net Cash Flow, which is the real cash figure, you need to start with Net Profit, add back the depreciation or capital cost allowance, deduct the principal portion of mortgage payments (the interest portion has already been deducted) and deduct an allowance for capital purchases (Asset Replacement) for the year. This is the real cash return - the cash flowing out of the business for the year and available for you and your investors to take out or re-invest.

The short-cut way of calculating cash flow is simply to start with Operating Profit, deduct total mortgage payments (both principal and interest), and deduct any capital Asset Replacement allowance. This will give you the net cash flow prior to business income taxes. It is simpler by far than going through the detailed calculation above (which is only required to derive income taxes), and the pre-tax numbers can be just as readily used for return-on-investment analysis. A worksheet is provided in Exhibit III-1.

## ***Return on Investment Methods***

Return on Investment is generally referred to as ROI. Another measure of value is Return on Equity (ROE).

These calculations give you a single measure of the income returned on the invested capital over a period of future years selected by the analyst to represent the life of the investment. ROI is a measure of the return on total capital, both debt and equity, while ROE is the return on equity only. These measures are universally accepted by investors, bankers, and other lenders as means of evaluating the income potential of a business investment.

### EXHIBIT III-1

#### CALCULATION OF PROFIT (LOSS)

|                                        | Mature<br>Year | 1 | 2 | 3 | 4 | 5 |
|----------------------------------------|----------------|---|---|---|---|---|
| Revenue                                |                |   |   |   |   |   |
| Total Operating Expenses               |                |   |   |   |   |   |
| Operating Profit                       |                |   |   |   |   |   |
| Less: Mortgage Payments<br>(P & I)     |                |   |   |   |   |   |
| Less: Capital Replacement<br>Allowance |                |   |   |   |   |   |
| <b>PRE-TAX CASH FLOW</b>               |                |   |   |   |   |   |

There are a number of ways to make these calculations, some more complex than others. The more complex methods are, of course, the better methods. We will start with the simplest.

#### Simple Average Pre-Tax or Net ROI/ROE

For a particular year, ROI is the pre-tax cash flow plus the interest for the year on long-term debt, as a percentage of the original total investment (equity plus long-term debt).

$$\text{ROI} = \frac{\text{Pre-tax or Net Cash flow} + \text{Interest on Long-Term Debt}}{\text{Original Equity} + \text{Original Long-Term Debt}}$$

ROE is the pre-tax or net cash flow as a percentage of the original equity investment.

$$\text{ROE} = \frac{\text{Pre-tax or Net Cash Flow}}{\text{Original Equity}}$$

These numbers can be averaged over a number of years, say ten years, to give an average pre-tax ROI or ROE figure.

These are the simplest calculations. However, they are not well regarded by serious financial analysts because they ignore the time value of money. What we mean is that they give the same value to a dollar earned in the tenth year as they do to a dollar earned in the first year. In reality the present value of a dollar earned in the tenth year is really only a portion of a dollar.

However, the simplicity of this method is its beauty and it is easy to understand. Most bankers will accept such numbers for their purposes. If you are not pressed for a more sophisticated calculation, leave it at this.

For a project to be commercially feasible, the ROI and ROE values have to be positive (i.e. the business is making, not losing, money) and they should exceed the costs of alternative, no-risk investments, such as bonds or guaranteed investment certificates. If they don't exceed these alternatives, why bother taking the risk? Just put your capital in guaranteed investments.

Another factor determining what is a satisfactory return is liquidity. Liquid investments, blue chip stocks and bonds, for example, can be readily and quickly sold, at little cost. An equity stake in a small retail business, however, may be difficult if not impossible to sell, and there may, in fact, be an agreement among the investors restricting their rights in this respect.

The degree these rates of return exceed no-risk investments is primarily determined by the level of risk inherent in the business proposal and, to a lesser degree, the level of liquidity.

Looking at a tourism retail business, its advantages are:

- It has inventory which can be sold or relocated to another site;
- The building can be converted to other types of uses, particularly retail ones.

Disadvantages include:

- Highly sensitive to effective inventory and cash flow management;
- Vulnerable to competition;
- Can be difficult to get established, and the start-up period will extend two years or more.

Everyone has a different view on these matters, but we suggest the following guidelines:

ROI (assuming 50% debt and 50% equity):

- Double the interest rate on long-term debt is **excellent** (provides four-times coverage of interest on debt) (NB: - For the ROI to be double the interest rate, the ROE has to be three times the interest rate.);
- 150% of the interest rate is **good** (provides three-times interest coverage) ;
- 100% of the interest rate is **poor** from the investor's standpoint - there is no premium for risk but not bad from the banker's perspective, he or she has two-times coverage on interest;
- Less than 100% - is **not a commercially feasible** proposition and probably not bankable, since the lender has little or no income protection.

Assuming the financing was 50/50 debt/equity and that the interest rate on long-term debt was 10% per annum, an ROI of 20% would produce an ROE of 30%.

ROE :

- Triple the interest rate on long term debt is **excellent**;
- Double is **good**;
- Equal to the interest rate is **poor**;
- Less than the interest rate is **unfeasible**.

#### Times Loan Payment Coverage

Bankers look at the income protection on their loan. Basically, they want to see operating profit of at least double the level of annual loan payments. Thus, if there was a 50% deterioration in net income, the business could still cover its loan payments. For higher risk businesses, they will want to see triple or better coverage.

This judgement will also be affected by the amount and quality of security you have put up for the loan. If they don't have to rely on business income for loan repayment, they may be a little less demanding on times coverage.

#### Detailed Return-on-Investment Methods

The more sophisticated methods of calculating return on investment are summarized below. Both of them share the benefit of accounting for the time value of money in calculating return on investment.

### Internal Rate of Return (IRR):

This method calculates the percentage of rate of return generated from a stream of income over time, relative to the amount of the original investment. Net cash flow is usually used to represent income, although a pre-tax IRR can be calculated too, if you are using the simpler pre-tax cash flow method of projecting earnings.

Essentially, this method determines the discount rate (rate of return) that, when applied to each future year's cash flow, will result in a total cash flow for all the years equal to the original investment.

Ask your banker or your accountant to do this calculation for you. Most spreadsheet programs today will perform this calculation. To do it manually, you have to be a mathematician!

### Net Present Value (NPV):

Net present value (NPV), sometimes called warranted investment, is a very useful ROI measure. Rather than determining the rate of return itself, it asks you to establish a target rate of return and then discounts each year's cash flow at this rate to calculate the level of investment warranted for the project. In other words, it tells you how much you can afford to invest to produce the desired rate of return from the projected cash flow. If the warranted investment is higher than the actual investment required, the project will exceed the target rate of return and vice versa.

Again, the NPV calculation can be done by your accountant or banker.

## ***Time Period for Projections***

### *What time period should we use in measuring ROI?*

A primary consideration in this respect is the expected useful life of the investment. The useful life of an investment can be many years. Buildings, for example, can have an effective life of a century or more. Other assets will have a much shorter useful life. Assuming, however, that you will be spending enough annually to refurbish or replace items on a periodic basis, the useful life of the assets in the business will be extended indefinitely into the future. On the other hand, new competition could weaken your ability to maintain the business on this basis and its life would be shortened as a consequence. As a result, the expected useful life of an investment is not a sufficient consideration, on its own, for determining the time line for ROI analysis.

A second important consideration is the reliability period of future projections. Some experts believe that any projections beyond five years are so speculative that they are useless. (Some others believe one year is speculative!)

However, the key question is not really how accurate future projections can be but, rather, is it reasonable for you to rely on future income from the investment you're contemplating today and, if so, for how many years can you reasonably expect to continue to earn this income?

We would suggest that a ten-year time line would probably be appropriate for a tourism retail business. With reasonable management and investment in marketing, this should be readily achievable. In addition, there's not a lot of value in extending the time line significantly beyond this, since, with the time-sensitive ROI methods, the impact of cash flow more than ten years in



the future is quite small.

With the simple ROI method, you should not include years beyond the tenth year in the calculation, since to do so would distort the result by giving too much weight to cash flow in the distant future.

## ***Break-even Analysis***

Another useful analysis is break-even analysis. Some financial institutions like it because it paints a picture of the degree to which a projected level of business exceeds the minimum necessary to survive and provides a measure of the down-side protection in the projected numbers.

The break-even point is the volume of revenue at which all costs are covered and the business breaks even on a revenue-to-cost basis.

There are several different break-even points, as illustrated in Exhibit IV-2. The first comes when the intersection of volume of business and price produces enough revenue to cover variable operating costs (costs of sales and direct operating expenses). The amount of revenue in excess of variable costs is called Contribution to Overhead.

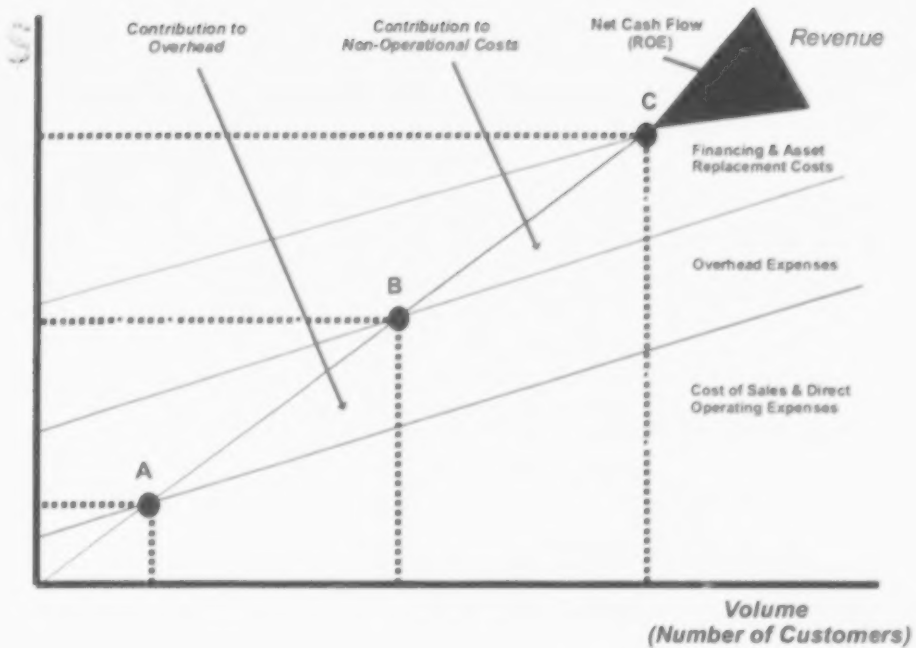
The second level happens when all operating costs, the variable costs as well as all overhead costs, are covered. The surplus is the Contribution to Non-Operating Costs or Contribution to Capital Related Costs.

The third level is when all costs of the business are covered. The surplus is Net Cash Flow or Return on Equity.

Break-even analysis is also very useful to management for the purpose of evaluating feasibility and also because it can be used in pricing and discounting strategies as part of a yield management process.



EXHIBIT III-2  
BREAK-EVEN ANALYSIS



- A Break even on variable costs (direct costs)
- B Break even on variable & fixed cost (overhead costs)
- C Full Break even - covers all variable & fixed costs, as well as financing & asset replacement costs

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## **APPENDIX IV**

### ***Business Structures***



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# APPENDIX IV

## ***BUSINESS STRUCTURES***

### ***Alternative Forms of Business Structures***

This section looks at alternative ways of setting up a business and deals with the major considerations you will face.

The alternative forms of business organization include:

- Sole proprietorship;
- Partnership;
- Corporation - the Limited Company and the Public Corporation;
- Limited Partnerships;
- Joint venture;
- Not-for-profit organization.

The features, advantages, and disadvantages of each organizational form are summarized below.

### ***Sole Proprietorship***

A sole proprietorship is just what it says. It involves one owner, and that owner and the business are one entity. In other words, the person owns the assets personally, and the liabilities of the business are the liabilities of that person. There is no legal form to a sole proprietorship, although it still has to register itself as a business for the purposes of business licensing and sales tax registration. The legal status of the business is the legal status of the owner as a citizen. The income of the business is the personal income of the owner.

The advantages of this form of enterprise include:

- Simplicity;
- Freedom to make your own decisions.

The disadvantages include:

- No limitation of personal liability for the owner;
- Nobody to share the responsibilities of running the business;
- Limited access to equity other than what you have available personally.

This form of enterprise is only feasible where the business is owned solely by an individual, or perhaps by a married couple, since the laws on marital property will govern the nature of the relationship between the parties.

## **Partnership**

A partnership is a business form intended for two or more owners. Like the sole proprietorship, the owners of the business and the business itself are one and the same for legal purposes. The business has no legal status separate from the individuals involved. The liabilities of the business are the liabilities of the partners. In fact, each and every partner is liable for all of the liabilities of the business. Partners are assumed under the law to have equal interests in the business, unless their partnership agreement specifies differently.

The governing legal instrument is the partnership agreement drawn between the partners. It has legal status as a contract. It normally covers the key arrangements among the partners, for example:

- The proportions of partners' interest, if other than equal;
- Cross indemnification of personal liability;
- Provision for dissolution or transferring of interests in the partnership;
- The decisions to be made jointly by the partners;
- Prohibited activities;
- Provisions for life and disability insurance to assist surviving partners in acquiring the interest of the deceased or disabled partner, and compulsions on the partner or his or her estate to sell that interest to the surviving partners in the event of disability or death;
- The manner in which partners are to be compensated, as well as distribution of the partnership's profits and losses;
- Procedures for amending or terminating the agreement.

The advantages of a partnership are:

- Basic simplicity;
- Provides for more than one owner.

Disadvantages include:

- Unlimited liability for each partner for all of the liabilities of the business. The partners can have a mutual indemnification clause in their partnership agreement, which can partially offset some of the risk, but this only establishes a claim on the other partners in the event a partner is called upon to cover a business liability.

- Many partnerships fail because the partners do not adequately deal with issues such as those identified above as needing to be included in the partnership agreement.

## **Corporation**

The corporation is a separate legal entity from its owners. It has the status of a person under law. It is created when Articles of Incorporation are filed with the Registry of Joint Stock Companies of the Nova Scotia government in the case of a provincial corporation, or the federal government in the case of a federally incorporated company. You have the choice of provincial or federal incorporation. (There is little point in a federal registration unless the same company is going to be doing business outside of Nova Scotia.)

A corporation issues shares to its owners and equity investors. The liability of the owners and investors is limited to the amount of their investment. (However, if they provide personal pledges or guarantees to the bank or other creditors on behalf of the company, their limited liability does not protect them for the specific liability involved.) In other words, for the most part the company's creditors have only the assets of the company as protection for their credit, not the assets of the owners. There are certain creditors and liabilities which do have a claim on the owners of an incorporated company including the Receiver General of Canada for employee source deductions, the Workers' Compensation Board, and employees for their back wages.

There are two forms of limited liability corporation, the private corporation and the public corporation. The private corporation is the one used by the vast majority of small-and-medium size businesses that are incorporated. In these cases, the investors are informally organized by the promoters of the business. Private corporations are not permitted to promote the sale of their shares to the general public.

In a public corporation, on the other hand, promoters are permitted to solicit the sale of the corporation's shares to the general public through investment dealers and other financial institutions. To do this, however, the promoters have to file detailed information on the business proposal and on many other topics to the Nova Scotia Securities Commission and receive approval to sell the share offering.

The cost of legal, consulting, and accounting fees in developing a prospectus can run to hundreds of thousands of dollars, so this form of business structure is only used for very large businesses.

The advantages of a corporation are:

- Limitation of owners' liability;
- Can have several owners/investors;
- The business can enter into contracts and conduct business in its own name, rather than the names of the owners;
- There can be some tax benefits to the owners as compared with the sole proprietorship or partnership.

Disadvantages include:

- More expensive and complex to establish;
- For very small businesses, much of the advantage of limited liability is usually lost, since bank and lenders will insist on personal guarantees from the owners anyway.

## ***Limited Partnership***

The limited partnership is a form of business organization that was popular in the past decade. It is like a partnership in some ways and a corporation in others. Basically, the general partner organizes and runs the business, while the limited partners invest in it. All are partners for tax purposes; in other words, the net income and losses of the partnership flow directly to them. However, the liability of the limited partners is limited to the amount of their investment, as long as they don't engage in the business in any fashion, other than as passive investors. To remain a limited partner, a person must not take part in the management of the firm and may not act on behalf of the company.

In the 1980s, limited partnerships were used to finance many chain and franchise hotels in Canada but they are not as popular now.

## ***Joint Venture***

A joint venture is like a partnership but usually involves two or more corporations that enter into an agreement to operate an enterprise under joint ownership. The respective companies usually have some business relationship with the joint venture.

## ***Business Registration***

Whatever form of business structure you choose, you need to register the business. This is discussed in Section 7.

## ***Tax Considerations***

There are a number of tax implications with each form of business organization. You are strongly advised to obtain professional tax advice from a qualified accountant, preferably a tax specialist.

## ***Agreements Among Principals***

Whatever the form of organization, it is vital that the principals in the business execute a formal agreement among themselves. In the partnership, there is a partnership agreement, while in the corporation it is a shareholder's agreement.



The agreement should cover, at a minimum, the following kinds of issues:

- An understanding as to the purpose of the business, the roles of the principals in it, and any other mutually agreed intentions;
- Decisions requiring approval of all the principals;
- Decisions requiring approval of a majority of the principals;
- Procedures for selling or transferring an interest in the business;
- Procedures for dissolution;
- Procedures for resolving conflicts when there is a stalemate;
- Methods of compensating the principals;
- Issues having to do with the rights of and prohibitions on the principals.

## ***Which Form of Business Should I Use?***

If you're in this project on your own, a sole proprietorship is simplest and cheapest.

Incorporate a private company in which you hold all or most of the shares if you want some limitation of liability protection and/or if your tax advisor indicates some tax advantages in incorporation.

If there's more than one owner, and they all want to have a say in the running of the business, form a partnership.

In partnerships, sometimes one partner may be silent, which means he or she will supply the capital while the other supplies the know-how and the hands-on management. In most cases, however, partners work together at the business. Ideally, in a working partnership, each partner will have skills that are different but complementary to the other so that both can contribute to the business in other ways besides supplying money. Whether silent or active, your partner will usually insist on some role in management decisions.

A word of caution here: you should be very careful in choosing a business partner. Many partnerships fail because the partners cannot get along. If you do choose to form a partnership, you should have a detailed and comprehensive agreement drawn up to protect the interests of all partners.

If you have several others who are prepared to invest in the business but are not going to be active in it as partners, then the private corporation may be the best form. Your tax advisor may, on the other hand, suggest a limited partnership since it gives some tax advantages to the non-active partners.

You definitely need expert advice on this, however and you should seek help from appropriate professionals.



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## **APPENDIX V**

*emerit Standards and Certification*



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# APPENDIX V

## ***emerit STANDARDS AND CERTIFICATION***

The Nova Scotia Tourism Human Resource Council ( <http://www.tourismhrc.com> ) is a national partner of the Canadian Tourism Human Resource Council and has been actively involved in the development of National Occupational Standards for various occupations in the tourism industry, and is also the certifying body for non-apprenticeable trades in Nova Scotia. As well, the NSTHRC is the local partner for **emerit**, "Canada's best tourism training tools". **emerit** offers flexible learning options including on-line accessibility and traditional workbooks. This allows for self-directed learning of specific skill based modules and also permits individuals to challenge full certification.

### ***Standards***

Standards presently (2005) exist for 49 occupations. These are listed on the following page.

### ***What are Standards?***

Standards are statements outlining the attitude, knowledge, and skills required of an individual in order to be considered competent in an occupation. Standards clarify expectations and can be used to design consistent training, education, and professional development programs.

### ***How are Standards Developed?***

The Standard development process is based on the philosophy that the tourism industry must determine its own direction. The individuals best suited to determine the content of the Standards are those directly involved in the occupation. The mandate of the Nova Scotia Tourism Human Resource Council is to bring together business, labour, education, and training, and other stakeholders to define the standards and to ensure that they guide education and training.

Standards for a specific occupation become National once seven provinces or territories and one national association validate and accept them.

### ***Who Benefits from Standards?***

Eventually, everyone in contact with the tourism industry will benefit from the evaluation of performance in relation to industry Standards. As Standards gain recognition, industry professionals will maintain or increase personal skills, resulting in direct benefits to local and visiting consumers.

**NATIONAL WORKBOOKS**

|                                        | PRICE  | ENG | FRE |
|----------------------------------------|--------|-----|-----|
| Bartender                              | 75.00  |     |     |
| Campground Operator                    | 75.00  |     |     |
| Entry Level Cook                       | 75.00  |     |     |
| Food and Beverage Manager Set          | 275.00 |     |     |
| Food and Beverage Server               | 75.00  |     |     |
| Freshwater Angling Guide               | 75.00  |     |     |
| Front Desk Agent                       | 75.00  |     |     |
| Guest Services Attendant               | 75.00  |     |     |
| Heritage Interpreter                   | 75.00  |     |     |
| Housekeeping Room Attendant            | 75.00  |     |     |
| Hunting Guide                          | 75.00  |     |     |
| Local Tour Guide                       | 75.00  |     |     |
| Reservations Sales Agent               | 75.00  |     |     |
| Retail First Level Manager             | 75.00  |     |     |
| Retail Sales Associate                 | 100.00 |     |     |
| Sales Manager                          | 75.00  |     |     |
| Special Events Coordinator             | 75.00  |     |     |
| Special Events Manager                 | 75.00  |     |     |
| Supervisory Skills (set of 4)          | 275.00 |     |     |
| Tour Director                          | 75.00  |     |     |
| Tourism Essentials                     | 75.00  |     |     |
| Tourism Visitor Information Counsellor | 75.00  |     |     |
| Travel Counsellor                      | 75.00  |     | N/A |

**TRAINER'S GUIDES FOR WORKBOOKS**

|                                        | PRICE  | ENG | FRE |
|----------------------------------------|--------|-----|-----|
| Bartender/ Food and Beverage Server    | 150.00 |     |     |
| Food and Beverage Manager              | 150.00 |     |     |
| Front Desk Agent                       | 150.00 |     |     |
| Guest Services Attendant               | 150.00 |     |     |
| Heritage Interpreter                   | 150.00 |     |     |
| Housekeeping Room Attendant            | 150.00 |     |     |
| Local Tour Guide/Tour Director         | 150.00 |     |     |
| Reservations Sales Agent               | 150.00 |     |     |
| Sales Manager                          | 150.00 |     |     |
| Tourism Visitor Information Counsellor | 150.00 |     |     |
| Tourism Essentials                     | 150.00 |     |     |

**CAREER PLANNING RESOURCES**

|                                           | PRICE | ENG | FRE |
|-------------------------------------------|-------|-----|-----|
| Career Awareness Video                    | 27.50 |     |     |
| Career Expo Manual                        | 45.00 |     |     |
| Career Planning Guide (Updated)           | 35.00 |     |     |
| The Student's Travel Map: 2002 (Updated)  | 35.00 |     |     |
| Tourism - A World of Opportunity (CD-Rom) | 25.00 |     |     |

**HUMAN RESOURCE BUSINESS TOOLS**

|                                             | PRICE  | ENG | FRE |
|---------------------------------------------|--------|-----|-----|
| Aboriginal Tourism - A Business Guide       | 25.00  |     |     |
| Performance First Series:                   | 155.00 |     |     |
| Great Performances                          | 25.00  |     |     |
| Less Talk, More Communication               | 25.00  |     |     |
| Making Training Work                        | 25.00  |     |     |
| One-on-One Training                         | 25.00  |     |     |
| Predicting Performance                      | 25.00  |     |     |
| Setting the Stage                           | 25.00  |     |     |
| Winning Ways                                | 25.00  |     |     |
| Business Builders Series:                   | 160.00 |     |     |
| Developing an Operational Plan              | 20.00  |     |     |
| Developing Your Business Profile            | 20.00  |     |     |
| Getting Your Business Market Ready          | 30.00  |     |     |
| Management and Labour Relations             | 30.00  |     |     |
| Managing Your Business Finances             | 20.00  |     |     |
| Marketing Essentials for Small Business     | 20.00  |     |     |
| Sales Forecasting                           | 20.00  |     |     |
| Shaping Your Business Strategy              | 20.00  |     |     |
| HR Tool Kit                                 | 195.00 |     |     |
| Performance Paks (ELC, HRA, FDA, FBS, TVIC) | 25.00  |     |     |

To order please visit [www.emerit.ca](http://www.emerit.ca) or contact 1.800.486.9158.**OCCUPATIONAL STANDARDS**

|                                         | PRICE | ENG | FRE |
|-----------------------------------------|-------|-----|-----|
| Bartender                               | 40.00 |     |     |
| Beverage Services Manager               | 40.00 |     | N/A |
| Banquet Server                          | 40.00 |     |     |
| Banquet Manager                         | 40.00 |     |     |
| Campground Operator                     | 40.00 |     |     |
| Catering Manager                        | 40.00 |     |     |
| Casino Dealer                           | 40.00 |     |     |
| Casino Slot Attendant                   | 40.00 |     |     |
| Catering Manager                        | 40.00 |     | N/A |
| Director of Sales and Marketing         | 40.00 |     | N/A |
| Door Staff                              | 40.00 |     |     |
| Food & Beverage Manager                 | 40.00 |     |     |
| Food & Beverage Server                  | 40.00 |     |     |
| Foodservice Courier Attendant           | 40.00 |     | N/A |
| Freshwater Angling Guide                | 40.00 |     |     |
| Front Desk Agent                        | 40.00 |     |     |
| Golf Club General Manager               | 40.00 |     |     |
| Guest Services Attendant                | 40.00 |     |     |
| Heritage Interpreter                    | 40.00 |     |     |
| Housekeeping Room Attendant             | 40.00 |     |     |
| Hunting Guide                           | 40.00 |     |     |
| In-room Dining Server                   | 40.00 |     |     |
| Kitchen Helper                          | 40.00 |     |     |
| Line Cook                               | 40.00 |     | N/A |
| Local Tour Guide                        | 40.00 |     |     |
| Night Auditor                           | 40.00 |     |     |
| Outdoor Adventure Guide                 | 40.00 |     |     |
| Professional Cooking                    | 80.00 |     |     |
| Reservations Sales Agent                | 40.00 |     |     |
| Retail First Level Manager              | 40.00 |     | N/A |
| Retail Sales Associate                  | 40.00 |     | N/A |
| Sales Manager                           | 40.00 |     |     |
| Ski Area/Resort Occupational Guidelines | 85.00 |     |     |
| Small Business Owner/Operator           | 40.00 |     |     |
| Snowmobile Operations                   | 40.00 |     |     |
| Special Events Coordinator              | 40.00 |     |     |
| Special Events Manager                  | 40.00 |     |     |
| Supervisory Skills                      | 40.00 |     |     |
| Taxicab Driver                          | 40.00 |     |     |
| Ticket Agent                            | 40.00 |     |     |
| Tour Guide/Director                     | 40.00 |     |     |
| Tour Operator                           | 40.00 |     |     |
| Tourism Small Business Owner/Operator   | 40.00 |     | N/A |
| Tourism Trainer                         | 40.00 |     |     |
| Tourism/Visitor Information Counsellor  | 40.00 |     |     |
| Tourism/Visitor Information Supervisor  | 40.00 |     |     |
| Travel Counsellor                       | 40.00 |     |     |
| Transferable Skills                     | 40.00 |     |     |
| Wine Service                            | 40.00 |     |     |

**ON-LINE TRAINING**

|                                   | PRICE  | ENG | FRE |
|-----------------------------------|--------|-----|-----|
| Bartender (Bundle)                | 125.00 |     |     |
| Modules                           | 25.00  |     |     |
| Food and Beverage Server (Bundle) | 125.00 |     |     |
| Modules                           | 25.00  |     |     |
| Front Desk Agent (Bundle)         | 125.00 |     |     |
| Modules                           | 25.00  |     |     |

For Service Professionals, Standards:

- Identify career paths;
- Identify the skill and knowledge needed
- Enhance the public image of occupations;
- Provide a basis for challenge, self-improvement, and advancement;
- Provide the basis for certification based on competent performance.

For Employers and Owners, Standards:

- Define area where employees must be proficient, which assists in recruiting, training, and development of staff. It is important to understand that Standards are not a training program or a training manual in themselves; they do not specify learning objectives, learning activities or evaluation methods. To serve as a training tool, the Standards need to be translated into a learning experience with detailed objectives, activities, and evaluations.
- They can be used to create job descriptions and conduct performance evaluations, as well as to develop and enhance training programs
- Provide employers with a highly trained workforce, which can increase productivity and decrease costs incurred by staff turnover.

For Educators, Standards:

- Provide the basis for curriculum and program development;
- Identify areas of industry where educational expertise is needed and applicable.

For Students, Standards:

- Promote the tourism/hospitality industry as a viable and fulfilling career choice;
- Identify career options within the industry.

For the General Public, Standards:

- Increase the level of professionalism of employees in the tourism/hospitality industry. This results in a higher level of service to customers and a better image of the industry.

Many Standards are available in a Workbook that is a self-study guide including all the Standards as well as exercises, performance reviews and self-tests. The Workbooks are available through the Nova Scotia Tourism Human Resource Council and can be ordered on-line from their web site.

## ***National Certification***

### **What is National Certification?**

National Certification is a three step process. Professionals who achieve National Certification will be recognized across Canada for meeting industry requirements in their selected occupation. The candidate must be employed in the occupation and must have achieved a minimum number of hours work experience (varies depending on the occupation) prior to completing certification.



Candidates may challenge the knowledge component (i.e. the written examination) of the process at any time with no prerequisite. Study materials are recommended to assist in achieving optimal results.

The Certification process is as follows:

Step 1: Written Examination

The examination tests the candidate's familiarity with the knowledge component of the Standards. If unsuccessful, re-testing may be arranged. Oral examinations are available in special circumstances. Some certification exams are available on-line.

Step 2: Performance Review

The Performance Review is derived from the Standards and enables the candidate to practice performance skills on-the-job. The candidate is encouraged to practice the skills outlined in the Standards using the Performance Review as a guide. The review can be completed as it best suits the candidate's situation, but it is recommended that a candidate work together with his or her supervisor or a certified peer to complete it. The supervisor/certified peer can provide feedback for those skills which may need improvement.

When the candidate is ready to have his or her performance skills evaluated, the candidate contacts the Certification Team and requests an Industry Evaluation. In addition, the candidate must have a minimum number of hours experience (varies by occupation) before the Industry Evaluation can be conducted.

Step 3: Industry Evaluation

A trained evaluator observes the candidate on-the-job to ensure the candidate possesses the essential competencies of the occupation as established by the industry.

**Certification**

The Certification Team reviews the file to ensure that all requirements have been met. The successful candidates receive a certificate, a pin, and the Industry Evaluation comments. Unsuccessful candidates receive the Industry Evaluation comments and are encouraged to reapply.



## Guides in the Series

A Guide to Starting & Operating  
a Commercial or Community Attraction

A Guide to Starting & Operating  
an Adventure Tourism Business

A Guide to Starting & Operating  
a Retail Tourism Business

A Guide to Community Tourism Planning

A Guide to Starting & Operating  
an Accommodation Business

A Guide to Starting & Operating  
a Campground Business

A Guide to Starting & Operating  
a Restaurant Business

A Guide to Starting & Operating  
a Local Sightseeing Tour Business

A Guide to Starting & Operating  
a Receptive Tour Operator Business

A Guide to Starting & Operating  
a Local Visitor Information Centre

A Guide to Planning & Hosting  
a Community Festival or Event

A Guide to Marketing Your  
Nova Scotia Tourism Business

Guides are available by visiting  
[www.gov.ns.ca/dtc/tourism/tourism\\_devguides.asp](http://www.gov.ns.ca/dtc/tourism/tourism_devguides.asp)

